



Performance and Outlook

December 2015

Agenda

- Macro Picture
- Performance Highlights
- Q&A

Agenda

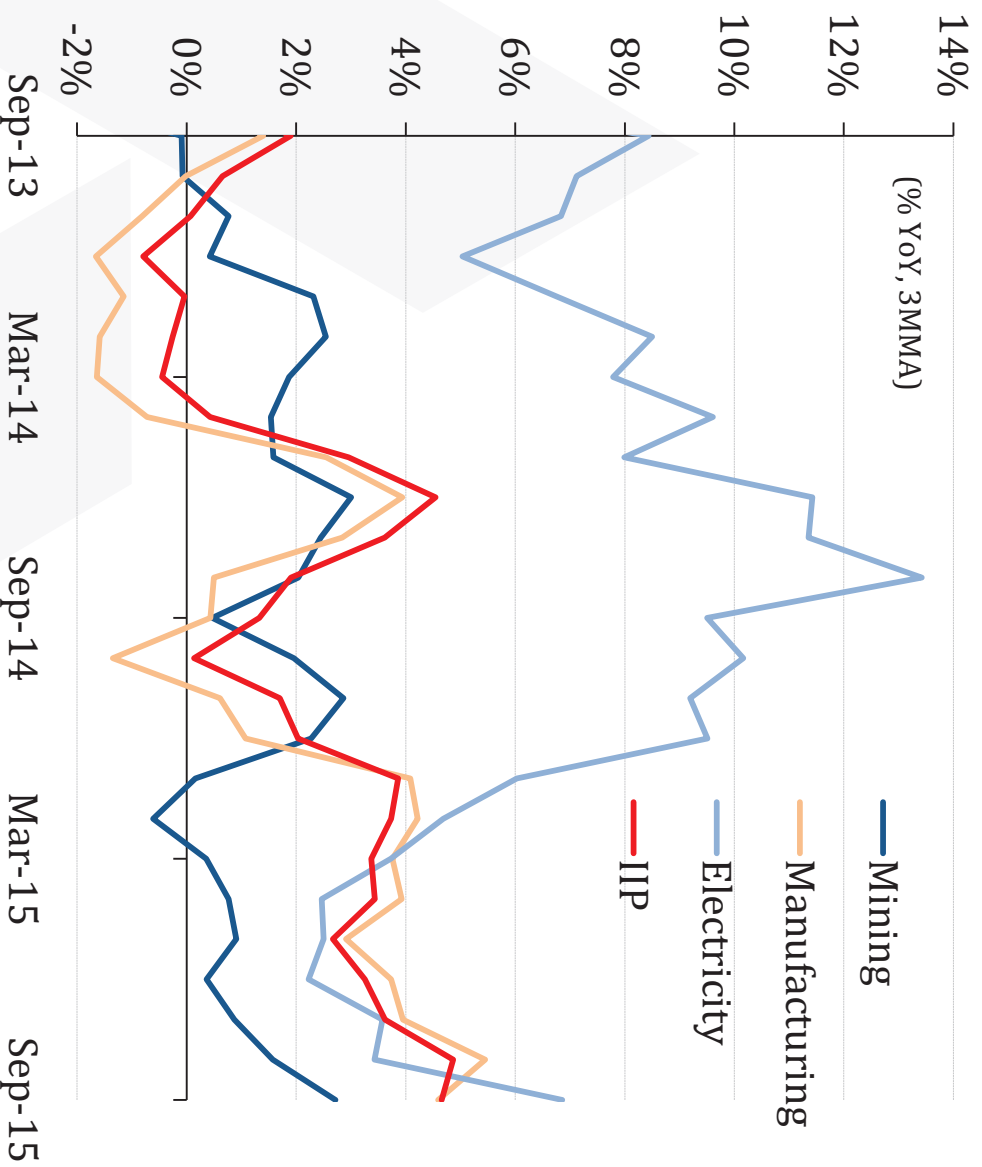
- **Macro Picture**
 - Fundamentals (IIP)
 - Output conditions
 - Inflation
 - Rates
 - Credit and Deposit growth

- Performance Highlights

- Q&A

Core fundamentals have improved moderately in recent months

Growth in IIP and Components

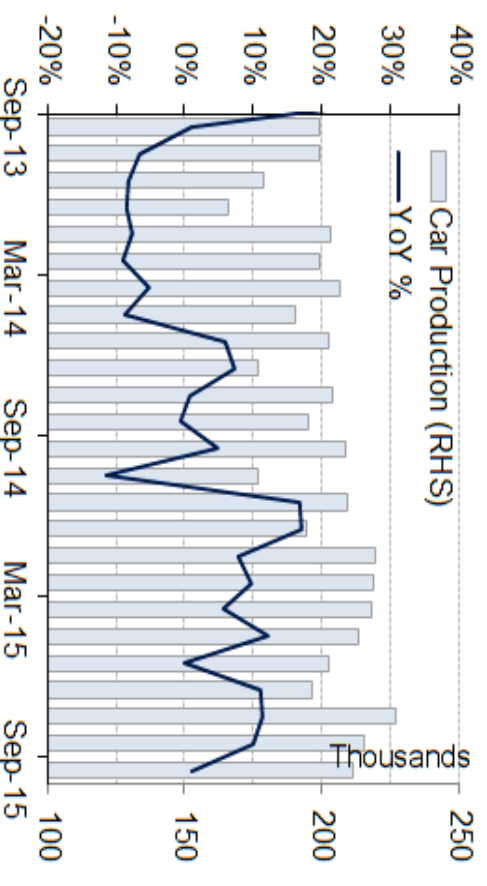
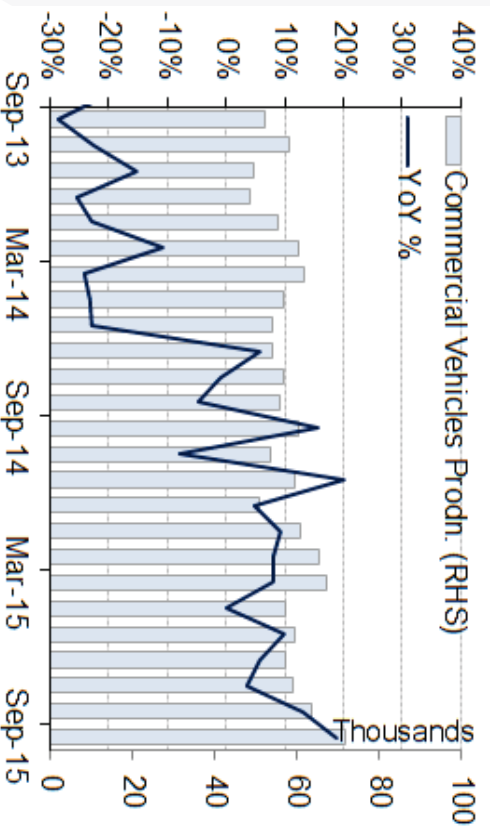
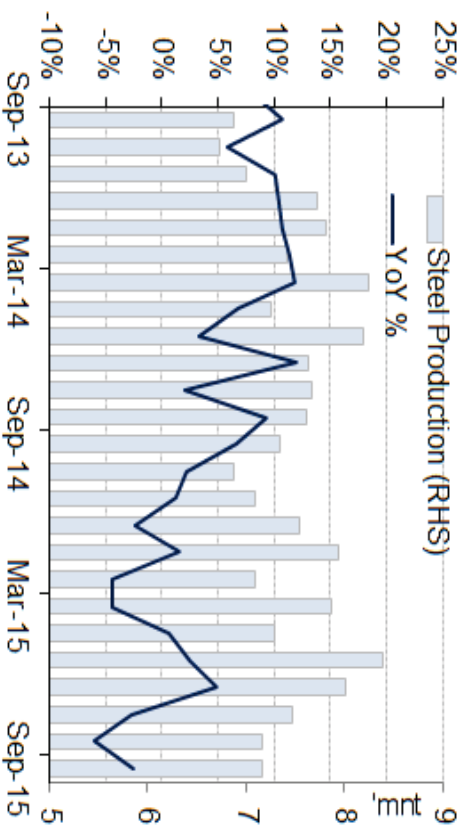
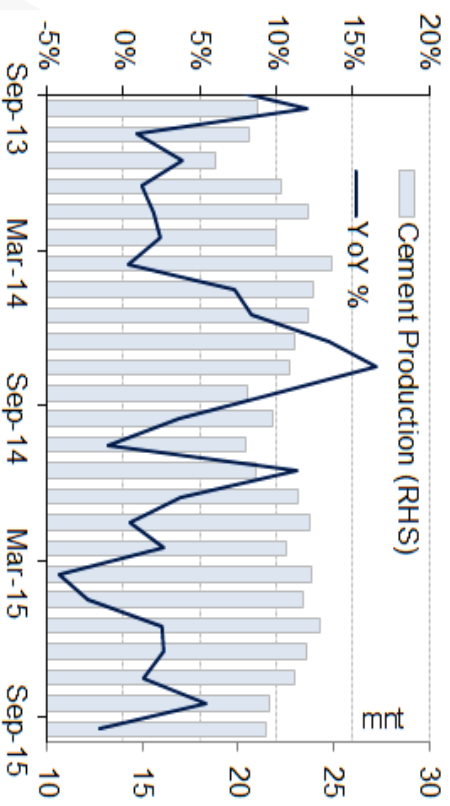


Source: MOSPI; Axis Bank Research

- On FYTD basis, IIP growth of 3.9% vs 2.9% last year
- Manufacturing up almost 2X (4.1% vs 2.2%)
- Electricity up sharply in recent months, particularly thermal power generation
- Within manufacturing, capital goods sector has been the star performer

However, signals from output indicators are mixed

Select output indicators

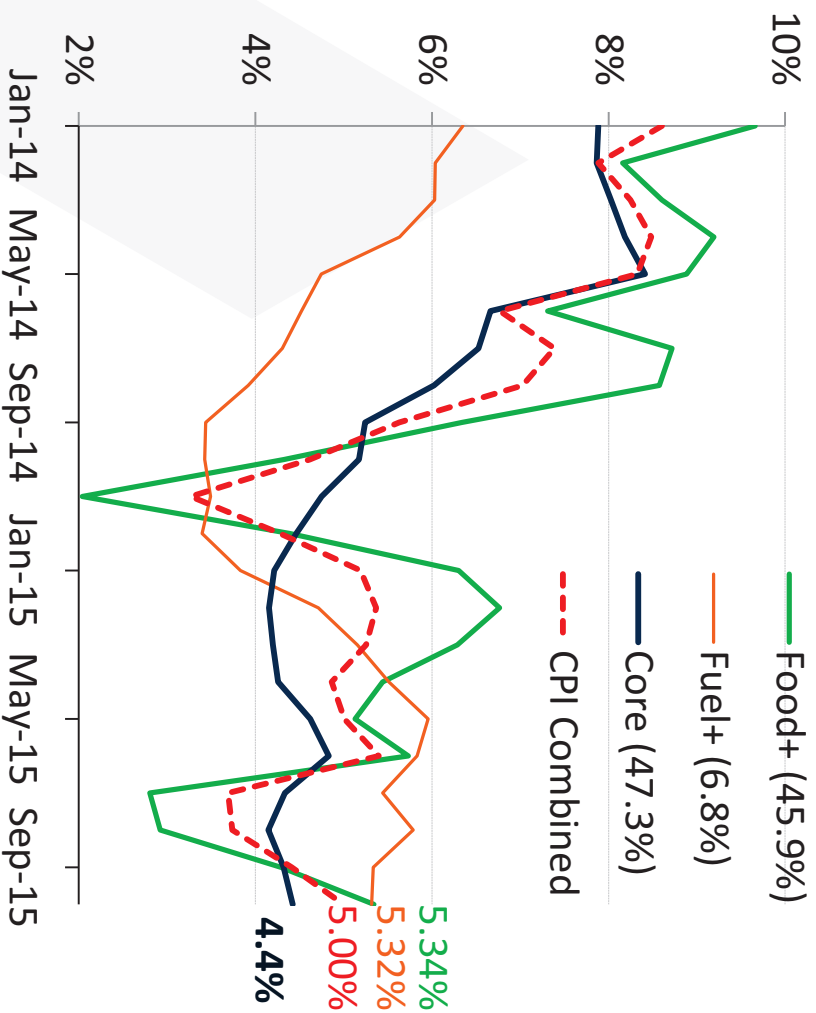


Source: MOSPI, Axis Bank Research

- Cement and steel production growth remain weak
- Car production is increasing, but at a moderating pace
- CVs had a better year, reflecting stronger commercial activity

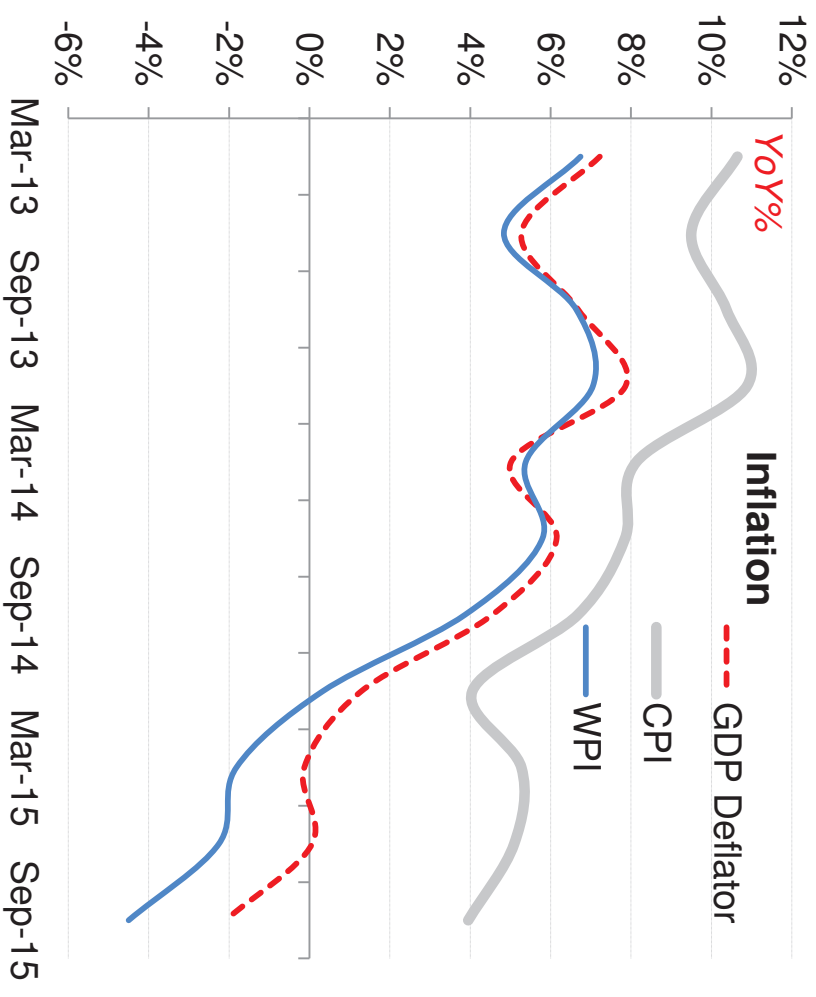
Inflation benign, extent of pricing weakness likely even higher

CPI Inflation and components



Source: MOSPI; Axis Bank Research

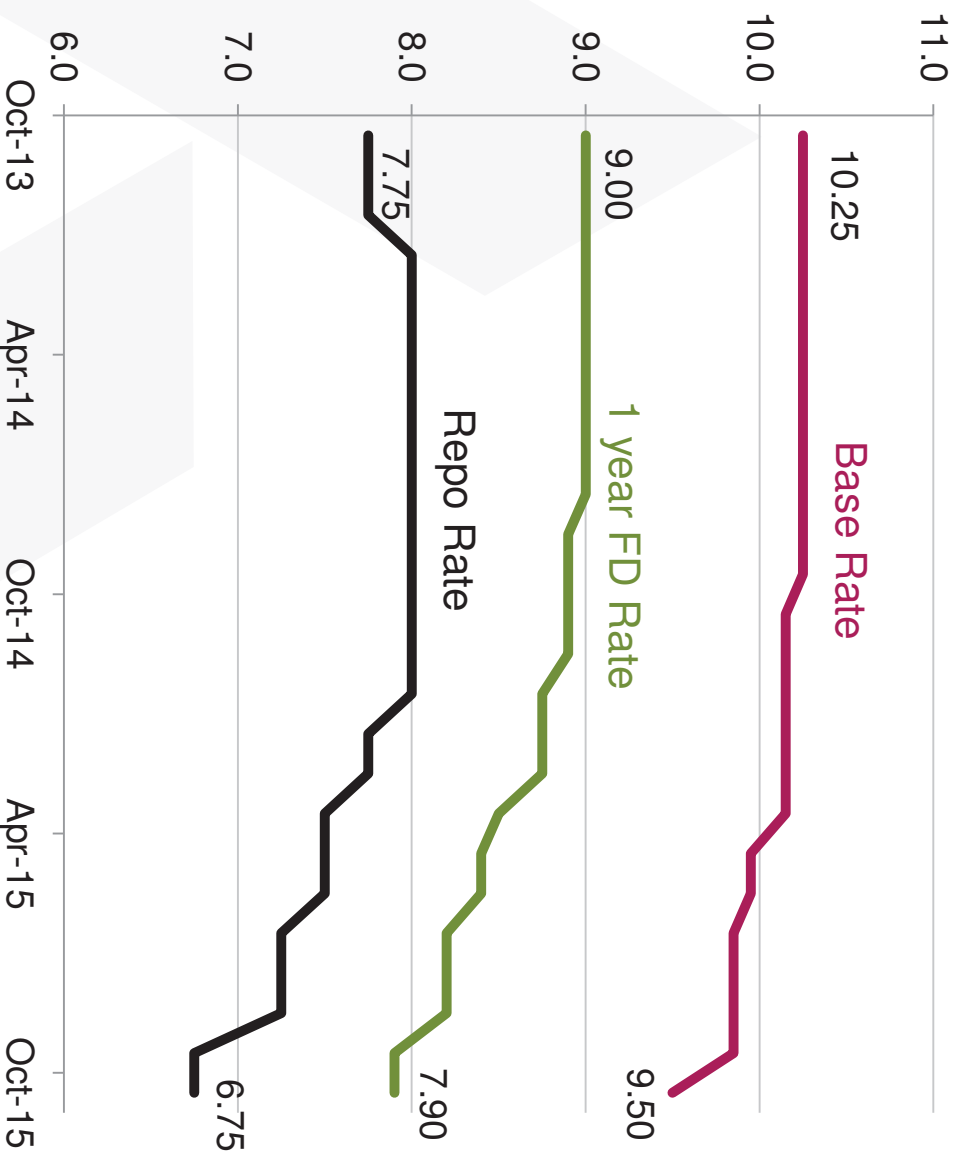
CPI vs WPI vs GDP Deflator



- Retail inflation (CPI) is ~5% in October, while Wholesale inflation is currently negative
- GDP deflator, broadest inflation measure, is more aligned to WPI, reflects deflation in tradables

RBI continues to ease rates and the easing is being transmitted by banks, both on deposit and lending side

Repo Rate vs Axis Bank Lending and Deposit Rates (%)



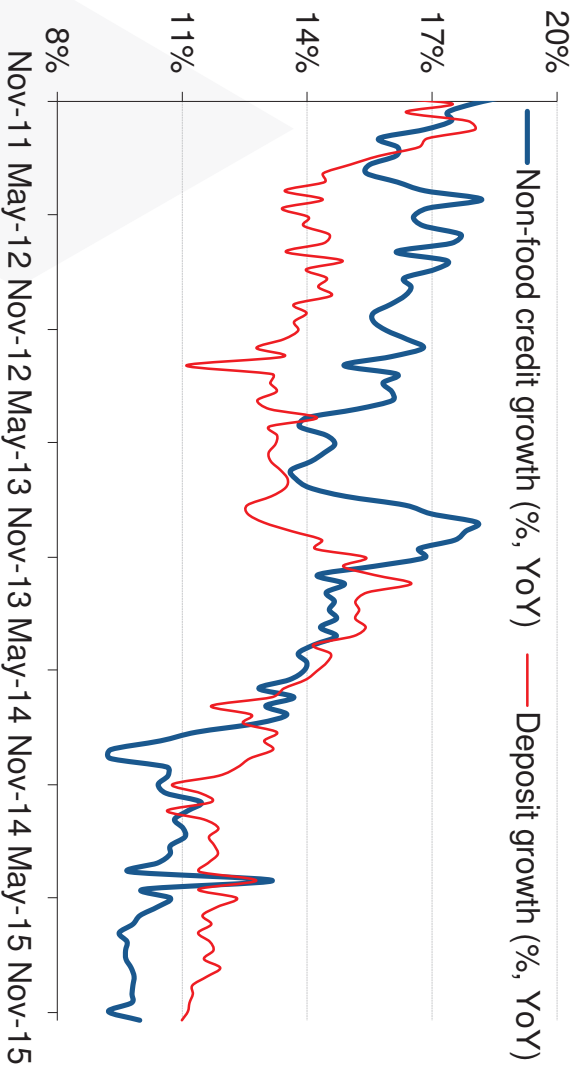
Source: Bloomberg; Axis Bank



- 50 bps rate cut by RBI in September
- Banks responded with significant transmission;
 - 35 bps in the case of Axis Bank

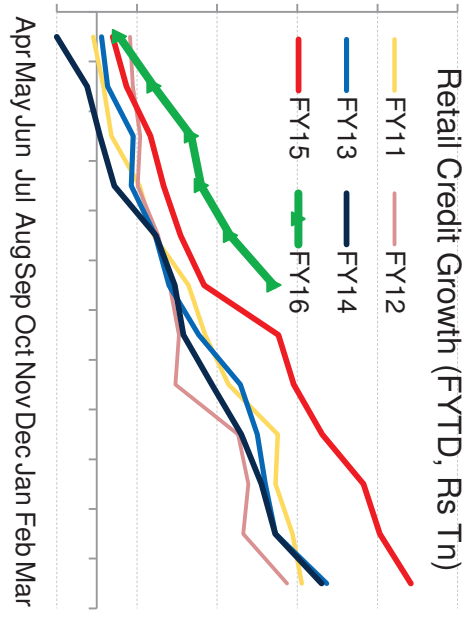
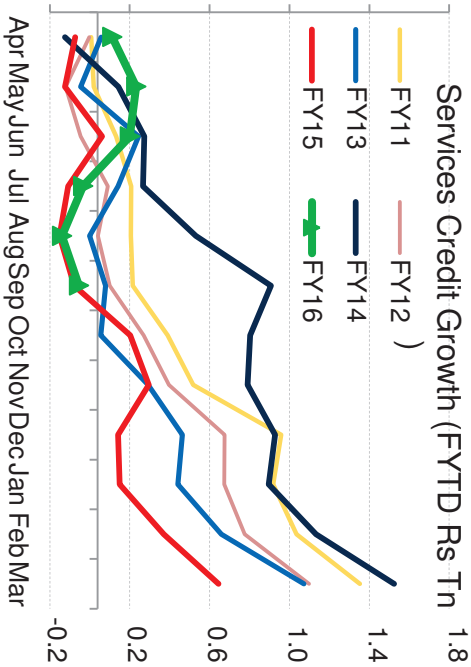
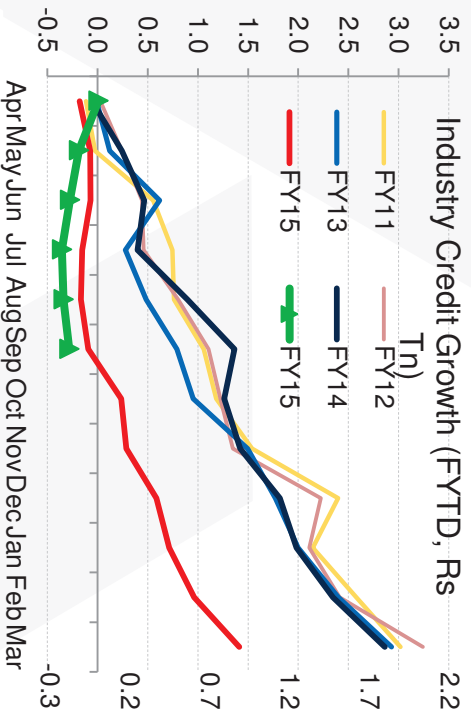
Credit and deposit growth are near multi year lows, but retail credit growth remains strong

Banking system credit and deposit growth



- Non-food credit growth at 9.2%; deposit growth at 11.1%
- Sectorally, the credit story is all in Retail
- Incremental credit to Industry and Services continue to be negative, YTD
- Retail growth strong, at 18%YOY, led by unsecured lending and housing

Sectoral Credit Growth



Agenda

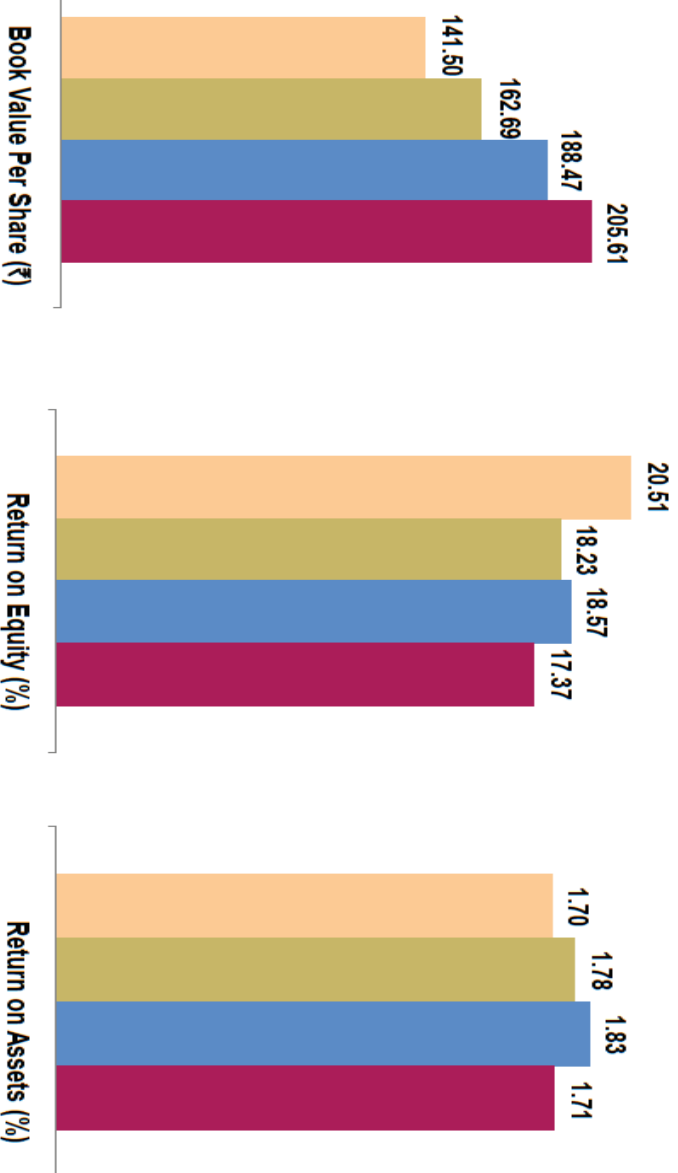
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The Bank continues to deliver strong growth and consistent shareholder returns

Snapshot (As on September 30, 2015)

Total Assets	₹4,72,725 crores
Net Advances	₹2,98,066 crores
Total Deposits	₹3,24,101 crores
Net Profit (Q2FY16)	₹1,916 crores
Net Profit (H1FY16)	₹3,894 crores
Shareholders' Funds	₹48,892 crores
Diluted EPS (annualised)	₹32.54
ROA (H1FY16)	1.71%
ROE (H1FY16)	17.37%
Net NPA Ratio	0.48%
Basel III Tier I CAR: ¹	12.21%
Basel III Total CAR: ¹	15.42%
Saving Bank Accounts (No.)	159 lac
Branches ²	2,743
International Presence ³	8
ATMs	12,352

Consistently strong shareholder returns



¹ Includes profits for the half year; ² Include extension counters; ³ Includes overseas subsidiary in UK

H1FY16 has seen satisfactory performance on most key outcomes

Strong financial performance in H1FY16

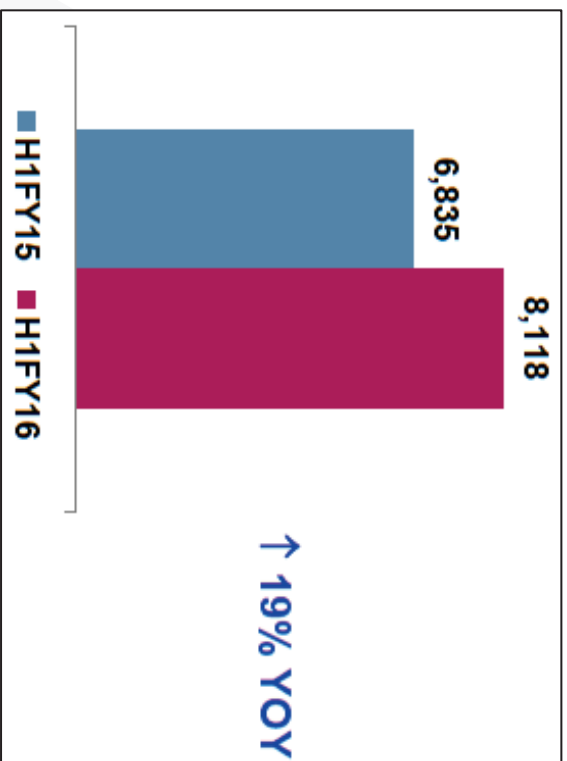
	<u>H1FY16</u>
Net Profit	↑ 19% YOY
Net Interest Income	↑ 19% YOY
Fee Income	↑ 13% YOY
Core Operating Revenue	↑ 17% YOY
Core Operating Profit	↑ 26% YOY
CASA¹	↑ 13% YOY
CASA (Daily Average)	↑ 14% YOY
Total Deposits¹	↑ 14% YOY
Total Advances¹	↑ 23% YOY

¹ As on 30th September 2015; ² Includes profits for H1FY16

- Retail franchise continues to gain traction
 - Strong CASA and RTD growth
 - CASA+RTD = 80% of total deposits
 - Retail advances growth of 27% YOY
 - Retail Loans now 40% of total loans
- Strong growth in core operating revenue and profits
- Strong capital position – Tier1 CAR² 12.2% and Total CAR² 15.4%
- Conservatively provisioned – 78% provision coverage ratio

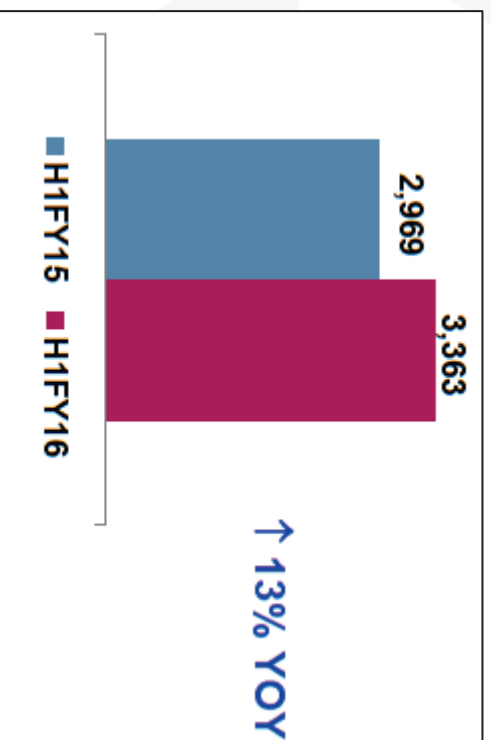
Core revenue streams have been growing steadily, providing a powerful and predictable revenue engine...

Net Interest Income (₹ Cr)

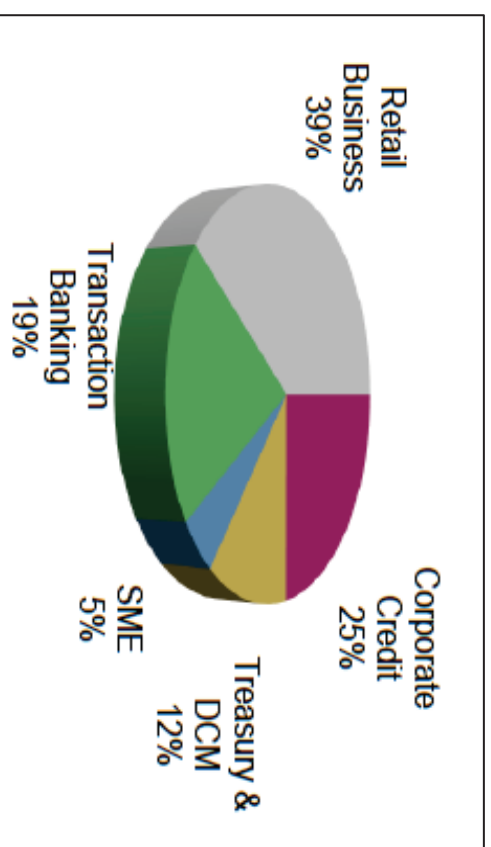


- Steady growth in NII (CAGR of 21% since FY12)
- Robust growth in core fee line
- Continued diversification in sources of Fee Income
- Increasing amounts of fee coming from granular retail business, and flow based transaction banking solutions

Fee Income (₹ Cr)



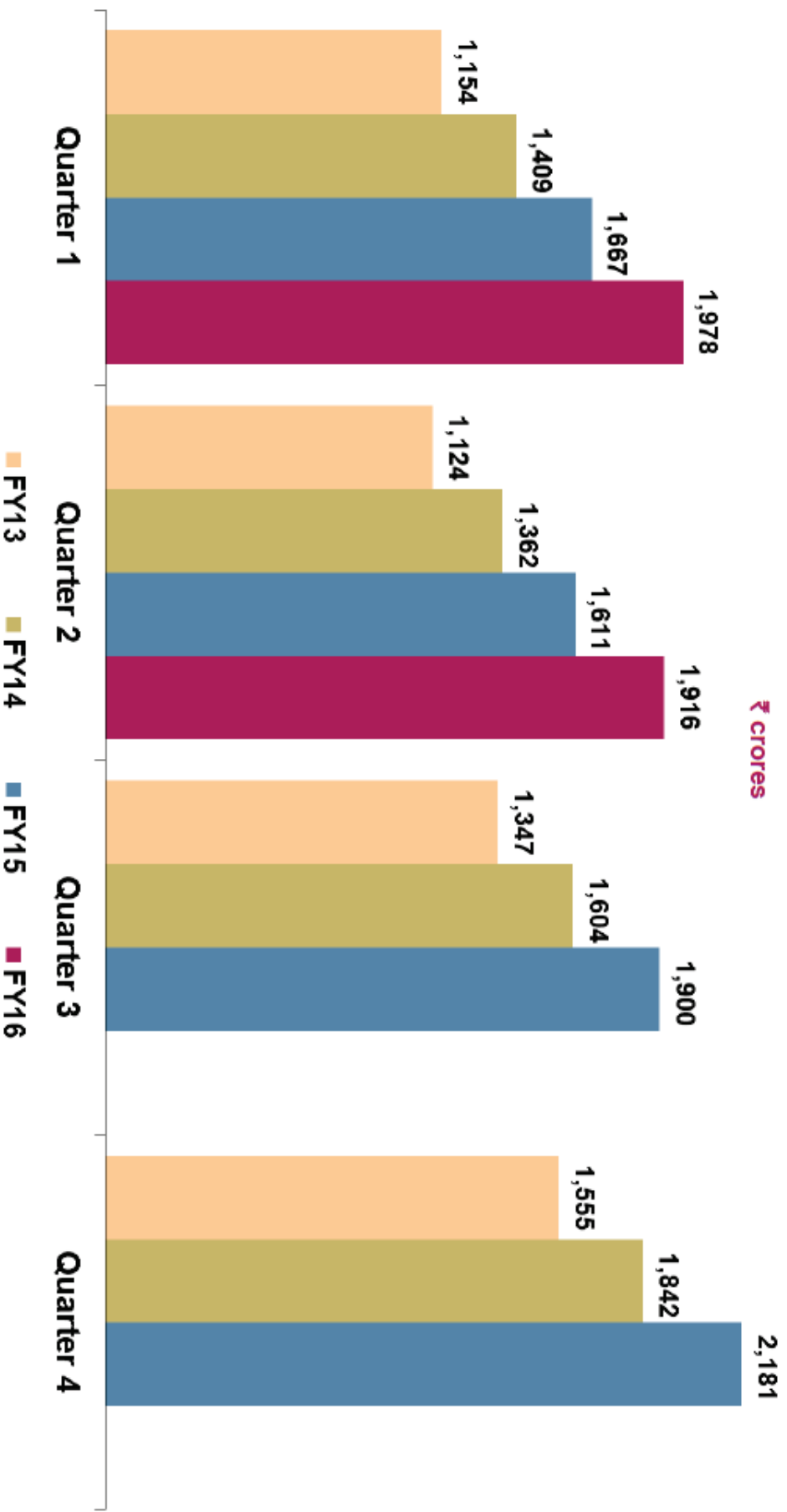
Fee Share H1FY16



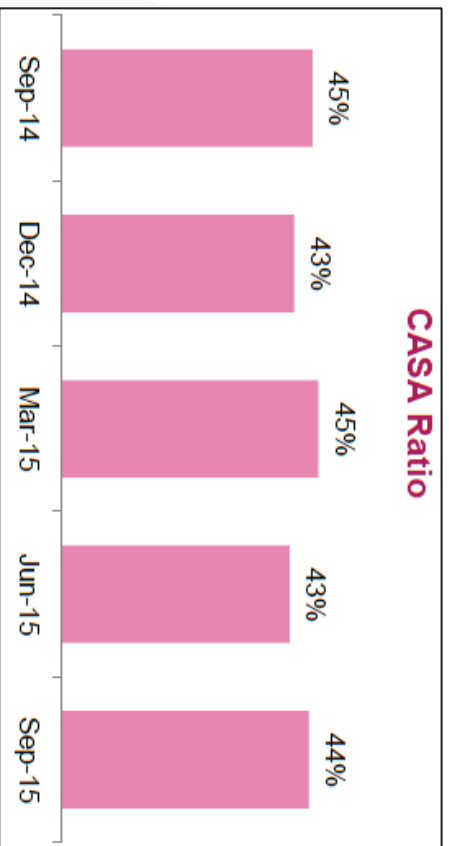
...Resulting in steady PAT delivery year on year

Quarterly Net Profits

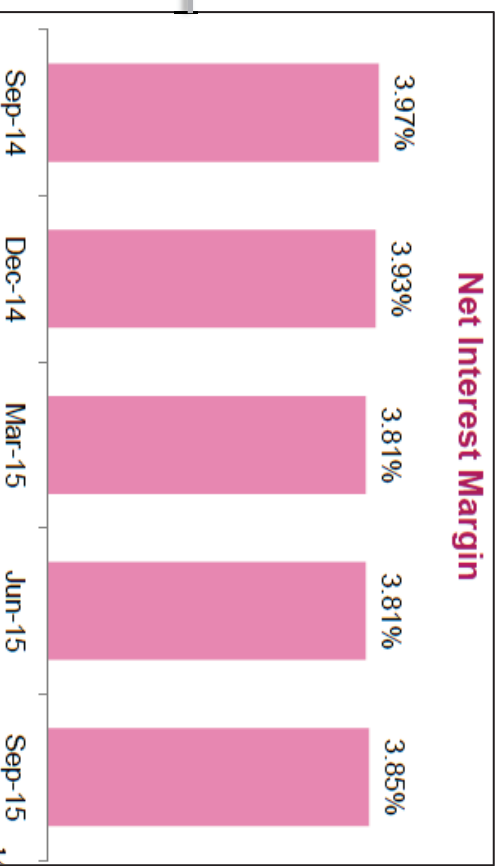
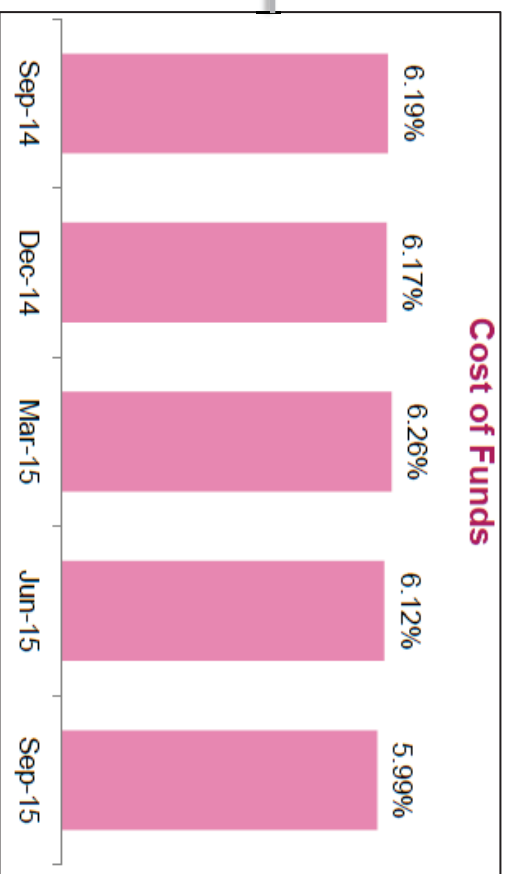
₹ crores



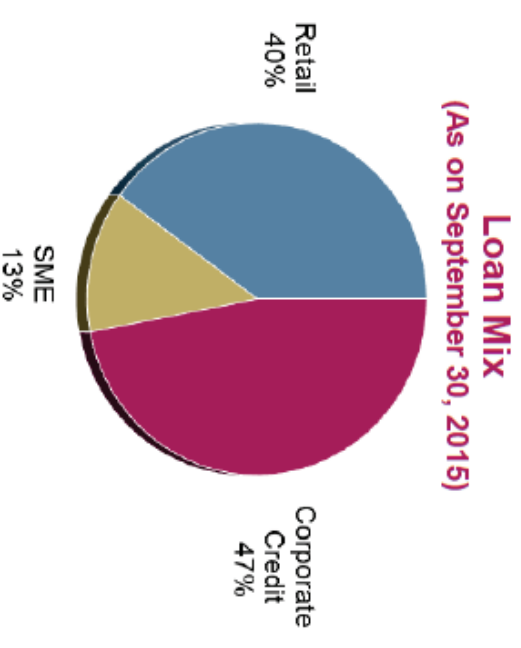
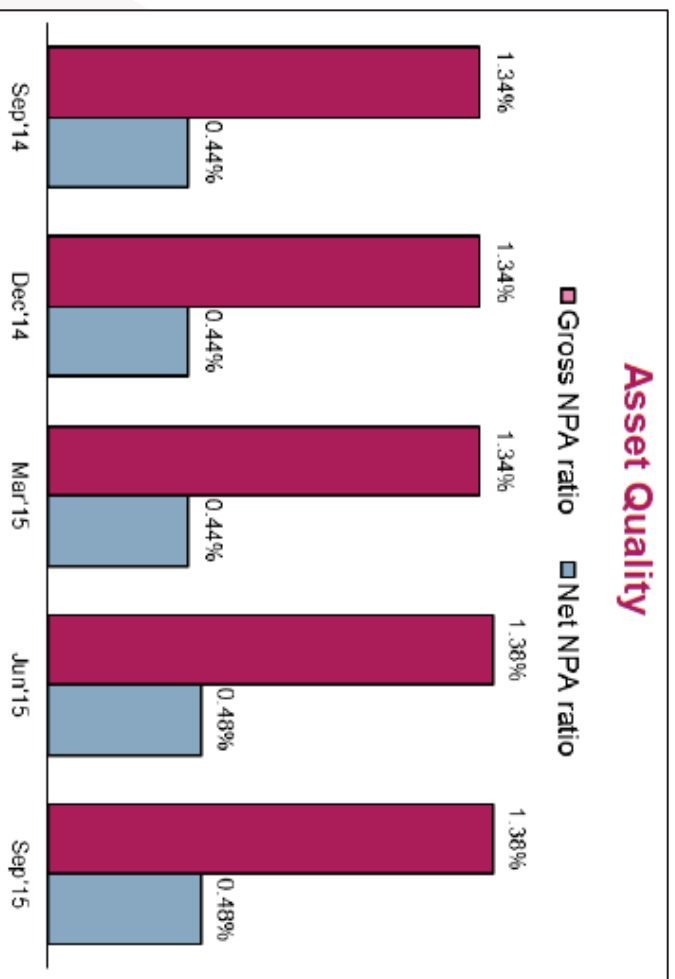
Our time-tested CASA franchise drives steady cost of funds and healthy NIMs



- CASA growth of 14%YOY on daily average basis
- RTD forms 64% of total TDs
- CASA+RTD forms 80% of total deposits



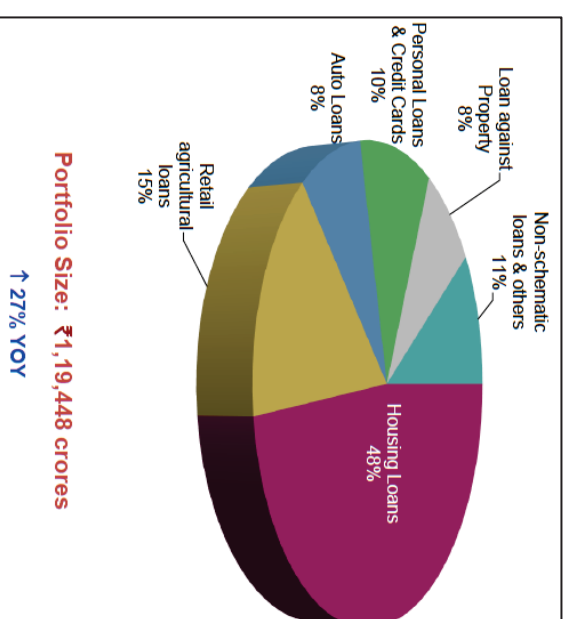
Asset quality of the Bank has been steady in turbulent times



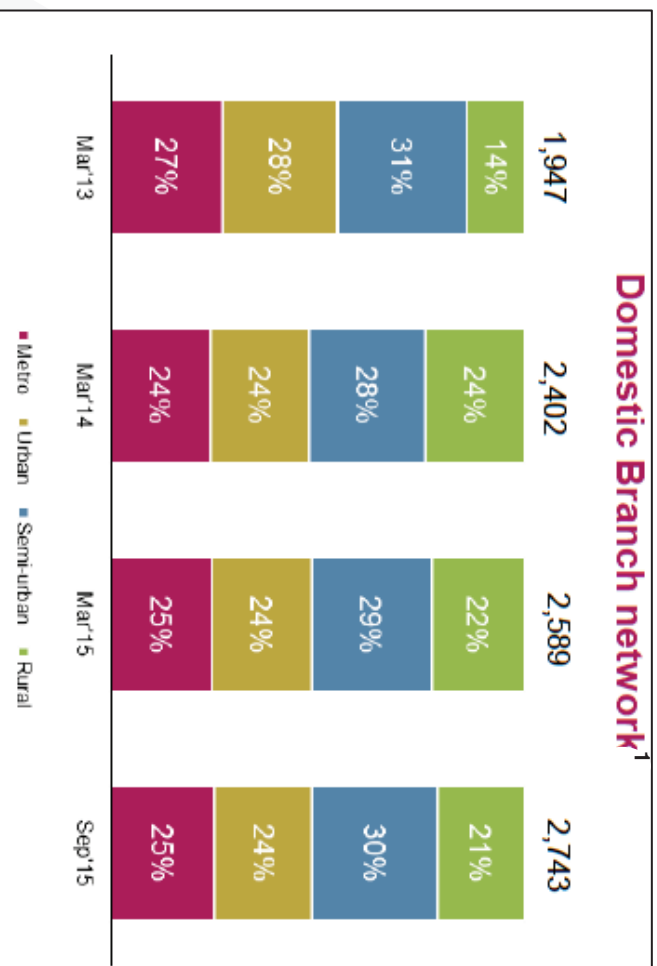
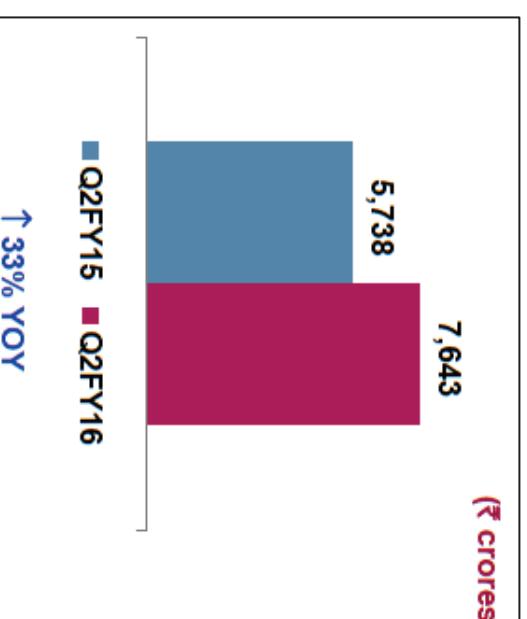
- In Q2, the Bank sold two assets, worth ₹1,820 cr to ARCs, against a consideration of ₹650 cr
- We utilised ₹850 cr from contingent provisions built in prior quarters to absorb the write-off against these loans

The retail franchise continues to grow strongly

Retail Lending Portfolio Mix



Card Spends

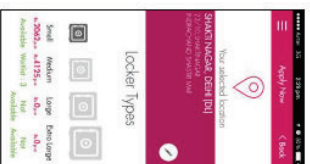
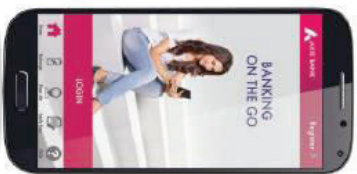


¹ Including extension counters

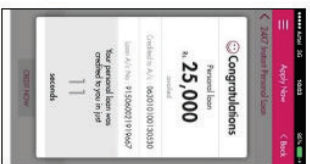
- 154 new branches opened in H1
- Continued momentum in Retail Advances – now 40% of advances book
- Growth in Cards business continues to be extremely strong

With Digital now front and center in the Bank's retail strategy, clear customer outcomes are starting to become visible

The Award-winning Mobile App



Locker on Mobile

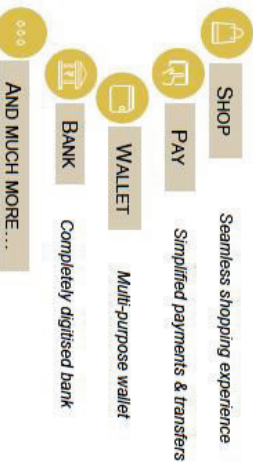


Instant Personal Loan



Conversion to EMI

Lime: An integrated money management platform

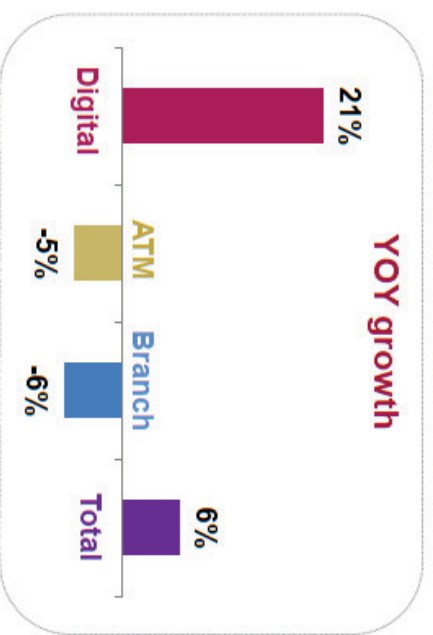
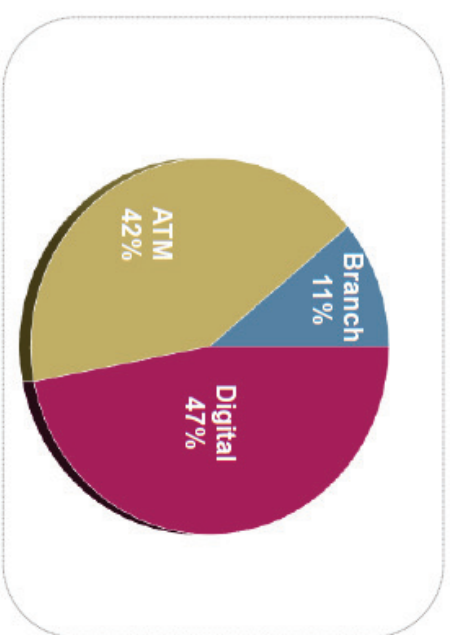


Ping Pay: The multi-social Payments App



414%
growth in spends
YOY growth as on September 30, 2015

Channel Mix – Q2FY16



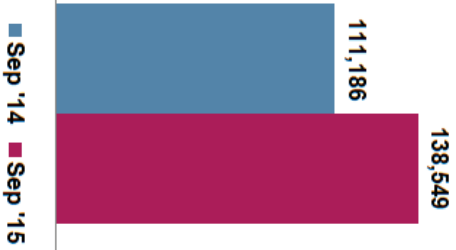
Note: Based on number of all financial transactions performed by individual customers

The Corporate Bank is delivering robust growth in a slow market

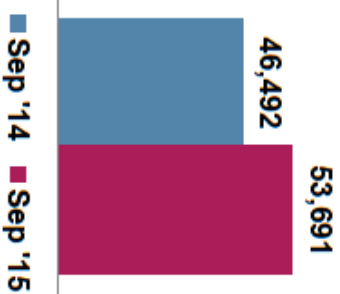
Advances

(₹ crores)

Corporate Banking



Current Accounts



Transactions

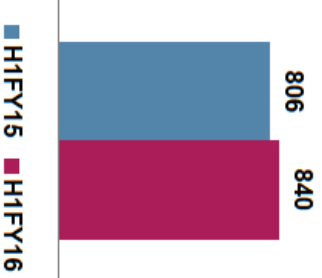
₹ crores

CMS Accounts



Fees

₹ crores



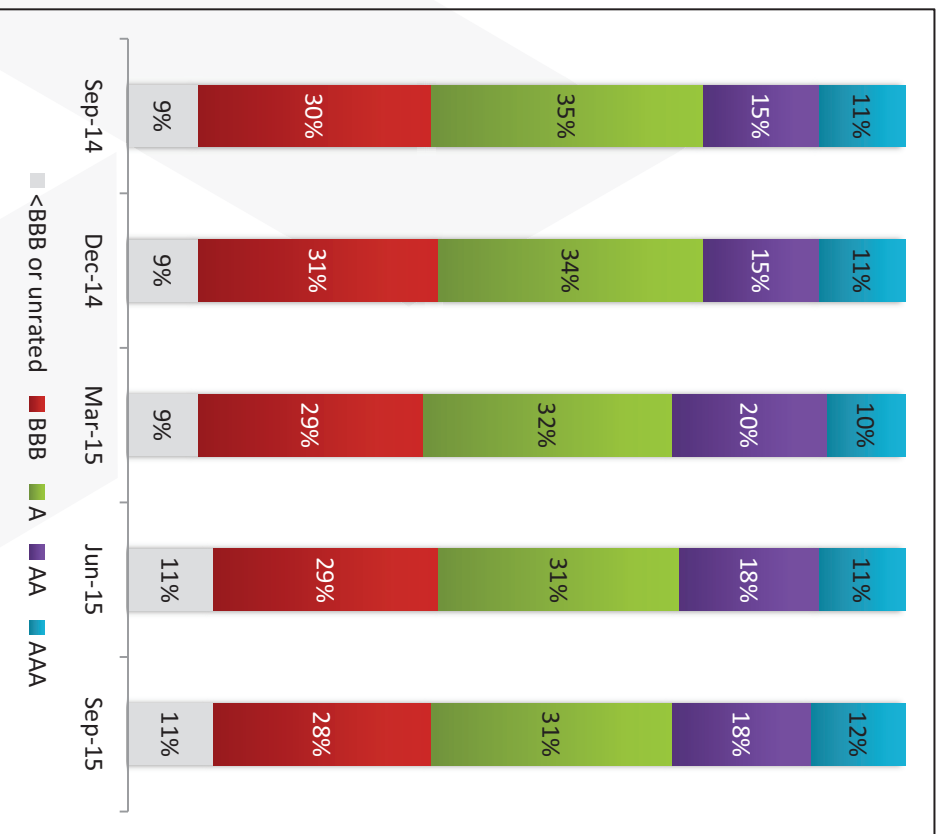
SME



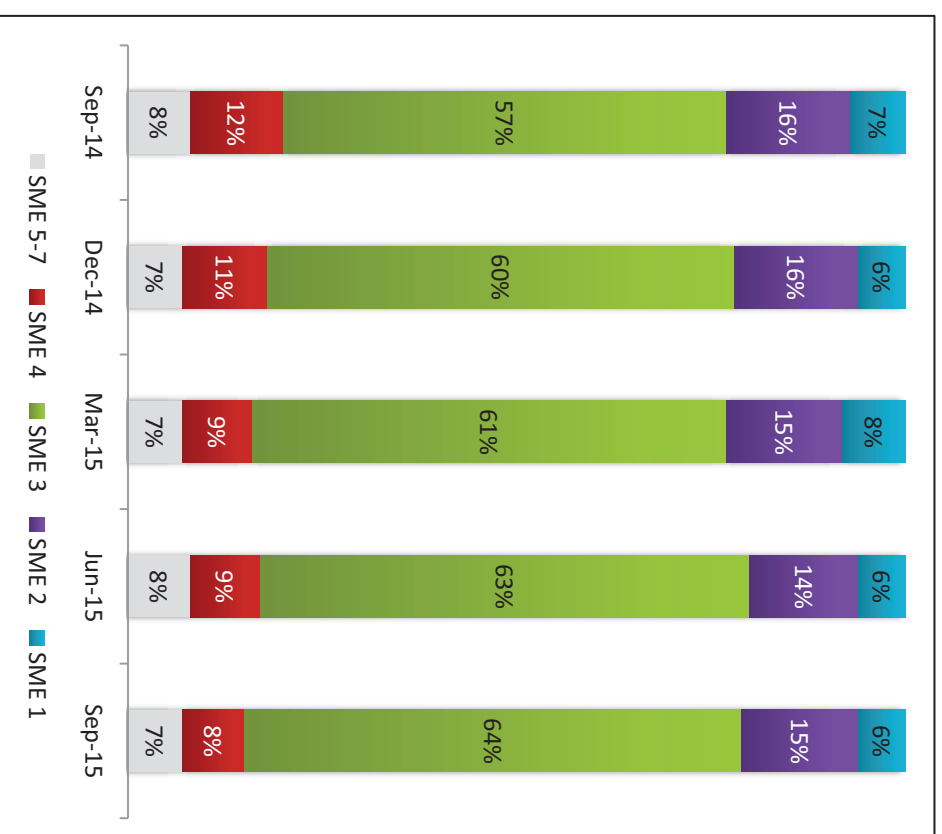
SME loans (including non-retail agriculture loans) grew 9% YOY

The growth in Corporate Banking has come with steadily improving rating distribution, even in the face of significant downgrades

Rating Distribution - Corporate Banking



Rating Distribution - SME



• 61% of corporate advances are rated 'A' or better in September 2015

• 85% of SME advances are 'SME3' or better in September 2015

In Summary, the Bank is in a great position in the competitive environment

- **Financially strong:**
 - *Healthy capital ratios; strong profitability ratios; moderate risk levels*
- **Conservative provisioning**
- **Solid retail franchise:**
 - *Strong on both deposit and lending side; extensive network; loyal customer base*
- **Strong capabilities in Corporate Banking:**
 - *Increasing focus on Transaction Banking, over and above traditional strengths*
- **Powerful Brand** that resonates with the youth
- **Demonstrated, and continued, delivery of profitable growth**

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