



Conference Call

**“Axis Bank’s acquisition of Citibank’s
consumer businesses in India”**

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Moderator:

Ladies and gentlemen, good day, and welcome to the Axis Bank Conference Call. Participation in the conference call is by invitation-only. Axis Bank reserves right to block access to any person to whom an invitation has not been sent. Unauthorized dissemination of the content or the proceedings of the call is strictly prohibited and prior explicit permission and written approval of Axis Bank is imperative. Further, this call is hosted for discussing Axis Bank's acquisition of Citi's consumer businesses in India. Kindly keep the questions related to this acquisition only.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of the briefing session. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. On behalf of Axis Bank, I once again welcome all the participants to the conference call. On the call, we have Mr. Amitabh Chaudhry, MD and CEO, Axis Bank.

I now hand the conference over to Mr. Chaudhry. Thank you and over to you, sir.

Amitabh Chaudhry:

Faizan, thank you so much. Thank you, everyone, who's on the call for joining us on a short notice. We also have on the call Rajiv, Subrat and other members of the Bank's leadership team. Axis Bank, one of India's largest Bank, today completed the acquisition of Citi's consumer businesses in India ahead of schedule. We are delighted with the overwhelmingly positive response we received from Citi customers and employees.

We are also grateful for the support and guidance we received from the regulators during this period. The Citi franchise has long been considered the gold standard in consumer banking in India. We are aware of the legacy we are inheriting and we will build on the franchise through our superior product offerings and technology. This acquisition is an important marker in the short history of private sector banking in India. Indian banks, today, match or better world class benchmarks on service, technology and business metrics because of their enterprise, prudence and the financial infrastructure built by the regulators and the government.

Axis Bank is acquiring this business, but in more ways than one, this is a milestone to share and cherish for all Indian banks that contribute to this sector. We welcome the Citi customers and colleagues to Axis Bank today. We have prepared ourselves to help them transition smoothly and seamlessly. We expect Citi customers and colleagues will experience the comfort of the familiar along with the thrill of our aspirations, as we continue on our goal of becoming the most customer obsessed bank in Asia.

I will parse this message a bit more. What do I mean when I say comfort of the familiar?

We have seen a strong acceptance at 96% by Citi employees across all grades and levels. The Citi customers will continue to enjoy same benefits and privileges with no changes in their existing Bank account number, Credit/Debit Card numbers, cheque books, IFSC & MICR code. They will continue to be serviced by same relationship managers and teams. All the 21 in-perimeter branches remain fully equipped to serve the incoming customers; we are also equipping 13 additional branches that would be available for incoming customer servicing during the transition period. The necessary IT applications and trained staff have been deployed at acquired branches. All the services to the incoming customers will continue to function as before as the same teams from Citi move to Axis intact.

Next, what do I mean by thrill of aspirations?

Axis Bank has set itself an ambitious agenda as it powers the next decade of growth in India. Axis Bank has been working on its GPS strategy of strong granular growth, premiumisation of its base and building a distinctive bank based on digital capabilities and customer obsession. Our performance over the last 4 quarters has given us the confidence of building on the Citi franchise to accelerate our journey. We will be better together.

Through this business acquisition, Axis bank has materially scaled-up its 'premium' portfolio on both sides of the balance sheet. Credit Cards advances have grown by 42%, with our market share going up from 11.4% to 16.2%, led by increase in affluent card base.

Similarly, the liabilities franchise which is a critical component of any bank's balance sheet has also benefited by addition of almost Rs 40,000 Crore in balances, over 1,600 corporate labels with deep relationships and an overall 8% increase in CASA balances. ~ 52% of deposits are contributed by Suvidha 'salary account' customers, making this a very valuable customer base for us.RS

We also consolidated our positioning as the 3rd largest wealth franchise with addition of almost Rs 95,000 Cr of AUM, an increase of 33% to existing Wealth AUM of Axis Bank. The premium retail franchise on both sides of the balance sheet has benefited significantly.RS

On the other hand, the erstwhile Citi retail franchise will now have access to massive national scale of (~4900) branches and (~16,000) ATMs and recyclers as well as cutting-edge digital plus data-science assets through the Axis platform.

Further, we have provided the changes in portfolio acquired as on 31st Jan 23 compared to 30th June 2021 on slide 9.

In terms of the execution of the business acquisition itself, we are happy to report that we have accelerated one of the most complex business acquisitions in the history of banking sector. The business acquisition has been carried out in 7 months post receipt of CCI approval – a strong testament of our execution strength. Teams on both sides have worked extremely diligently to manage the several moving parts. For this, we want to thank the teams in Citi and Axis as well as the customers who have been gracious with their support. We also want to place on record our deep appreciation for the regulator, the Reserve Bank of India, for their constant guidance and directional inputs.

That said, the journey has just begun. From here on, we need to ensure that we can unlock the synergies for all stakeholders – employees, customers, and our investors. The opportunities for synergy and bringing the core strengths of Axis and Citi teams together are tremendous. We will focus on franchise consolidation, value enhancement for the combined customer base and transfer of best practices. We have a clear plan across 60+ synergy levers that have been identified. We are energized for the road ahead as we look at the journey so far with a sense of joint pride.

Coming to financial implications of the acquisition

We have consistently been communicating that (i) we expected natural attrition in the numbers due to the extended period from divestiture announcement by Citi of its India consumer business and closure of the transaction; (ii) requirement for express consents across liability products; and (iii) change in business cycle from diligence period to closure. In order to protect the Bank's interest, we had proactively built price protection mechanisms in our agreements with Citi. The key business parameters on which our valuation was predicated, have remained within an acceptable range. The cash purchase consideration for the acquisition based on the closing position of assets and liabilities as at 31st January, 2023 stood at Rs 11,603 crores. This cash consideration is subject to a true up or true down basis the adjustments for changes in the business position from 31st January, 2023 to end of day February 28, 2023 as per mutually agreed timelines. Slide 15, provide details on change in consideration.RS

We have significantly improved the trajectory of our key operational metrics with significant improvement in NIMs and consolidated ROE. Our capital adequacy position remains strong, with capital adequacy ratio (CAR) including profit for 9MFY23 at 19.51% with CET 1 ratio of 15.55%. We net accreted 31 bps of CET-1 capital in the first 9 months of FY23. The purchase consideration and assets acquired consume 177 basis points of CET1 capital. This will be funded entirely from the existing balance sheet. Given our operating performance and post-acquisition capital position, we will have sufficient capital post acquisition to fund organic growth of our existing and acquired business for a period.

As consistently disclosed, we will take a one-time charge to Q4FY23 P&L, for (i) Goodwill and other intangible prudent amortization; (ii) policy harmonization costs and provisions in areas where Axis policies are more prudent and conservative; and (iii) implementation expenses comprising transition costs, banker fees, duties and taxes as applicable.

To summarize, we have completed the acquisition before indicated timeline. Number two, we don't need any capital to pay for this deal. Number three, numbers are better than our initial expectations for Citi staff joining the Axis Bank platform. Number four, changes in key business parameters largely remain along expected lines. And number five, the speed of completion of LD1 has increased our confidence to complete the full integration seamlessly within 18 months post LD1. We continue to be optimistic about our future.

Thank you and now we'll take questions.

Moderator: The first question is from the line of Mahrukh Adajania from Nuvama.

Mahrukh Adajania: Congratulation. My first question is on the deal pricing. So it's a bit lower than earlier indicated. Also you have indicated a certain amount of deposits and AUM. So the AUM is what you have disclosed and probably the deposits look lower. So how does it all tie into the current pricing of the deal?

Puneet Sharma: Hi Mahrukh thank you for the question. Mahrukh, the way we had structured the deal was we had a diligence reference number and we had assumed attrition both for consent as well as natural business attrition given Citi was exiting the country, as part of our valuation parameters. Attrition beyond these two parameters would have resulted in a value adjustment which was the right protective structure to have from a Bank's standpoint. There were not one or two, but there were more than two parameters basis which valuation needed to get adjusted for and that's what you are seeing reflected on slide 16. So, the Rs 722 crores reduction in purchase consideration is a function of all of those parameters resulting in that value depletion.

Mahrukh Adajania: Sure. And just in terms of the card business, so now would you have color on how the card portfolio behaved as in terms of revolves? Was it in line with industry trends, in line with the earlier patterns because we have lost market share in spends.

Arjun Chowdhry: My name is Arjun Chowdhry. I used to look after the Citi consumer business in India. I've just moved to Axis Bank, my first day here today. So I thought I could help you with the question on the credit cards business. So your question on how the trends have been, actually we've been very, very enthused and encouraged by the trends we've seen. And let me lay out a couple of them for you to help illustrate that point.

Even after the divestiture was announced way back in CY21, we've been able to hold on to and in fact grown our credit card acquisitions, which are now reflected in the credit card balances, which you see being almost intact from the period 11 months ago when the deal was announced. That's number one. Number two, in terms of how people are revolving versus transacting, I think there are some generic trends that we have seen across the industry. And those are represented in not just the Citi portfolio, but every part of the portfolio. So if you look at the industry trends across the board, we do see that post COVID, the revolved behavior across credit cards just came down, which means that we've all looked for and in our case found certain new sources of income around other ways of lending, other ways of growing a balance sheet and other ways of increasing our fee-based income.

For example, the spending that we see on the credit card, it has come back quite handsomely after the lull during the COVID period, giving us some upsides from what we had expected over there. There's been very good recovery, both at a per card level and at an overall card level. So those are the two trends that I thought could help illustrate the point that on the cards business per se, I think we are quite satisfied with the way we see it having panned out from the period of the divestiture and then of course from the period of the announcement of the transaction up till today.

Mahrukh Adajania: So the revolve are in line or at least in line with industry trends, right?

Arjun Chowdhry : Yes. That is correct. So that's why I mentioned the point that if you compare at points in time, they may be slightly down, but that's no different from what the industry is seeing overall.

Moderator: Next question is from the line of Adarsh Parasrampuria from CLSA.

Adarsh Parasrampuria: The question was, you mentioned about the customer attrition and how you were able to keep most of them. I want to check Amitabh, in the next six to nine months, when we think about you having migrated customers to Axis, over the next 6 to 12 months, would there be a natural attrition which will continue? How far are we from a normalized, you know, from the current customer base versus, you know, where you expect you will be and from there you go?

Amitabh Chaudhry: So Adarsh, thanks for the question. Please understand a couple of points. One, we have now taken over customers who have expressly consented to become an Axis Bank customer. We have also gone through a cleanup where some of the dormant accounts, some of the customers who said they don't want to work with Axis are actually no longer part of this franchise. So our expectation is that as they see same or better offerings from now the combined Axis, the natural attrition of these customers will be lower than what we normally see in any banking franchise.

Because a part of the cleanup to some extent has already happened. And there is express consent which is in place. We do expect that obviously in the next three to six months, and we are talking about the overall transition period of 18 months, but in the next three to six months, things should settle down where the customers of Citi will see same employees, similar products and services, more features being added.

Gradual transition into Axis products, Axis app, Axis credit cards that hopefully with the 60+ synergistic elements we talked about and a lot of them relate to expanding the franchise on both the Citi and the Axis side. Why talk of attrition? We should be talking about bringing more value to the Axis franchise over a period of time. Have we dimensioned it? No. We will be dimensioning it as we speak. And when we are ready to share any numbers and some of those areas, we will do. Right now we have not decided what we'll share and how much we'll share, but we'll definitely keep giving you a sense for how the acquisition is progress over a period of time.

Adarsh Parasrampuria: So I will just ask on this a little bit. So let's say deposits are down from Rs 50,000 crores to Rs 40,000 crores, some attrition was expected. So you would not expect the repeat of another Rs 10,000 to Rs 20,000 crores attrition before you start growing?

Amitabh Chaudhry: Absolutely not, Adarsh because you know, please understand that firstly the June 21 number was at the peak of COVID, right? So this was when the delta wave was just getting over. So there were no spends happening in the economy at that time. And so please first take that point into consideration. Second, 21 months have passed. We have gone through a full process of contacting these customers, having conversations. When I say we, I mean Citibank. I've gone through a process of contacting these customers, having conversations with them, making them provide express consent, and then they have shifted to us.

We have gone and checked feature by feature, every product, every card, every service of Citi, and we are trying to see as to how we can bring the best of both worlds together. I would expect, as I said, focus more on expanding the franchise, expanding the deposit base, rather than really worrying about attrition at this stage. But yes, as I said, we'll try to share progress with you on the acquisition as we move forward.

Adarsh Parasrampuria: And Amitabh, the last question is on capital. You did make a point and number certainly from a proforma CET1 is better today, 13.7%, versus under 13% when it was announced post the proposed acquisition. So does that mean like 13 and a half, 14 in the pre-COVID world was fairly large capital base. So does that give the Bank a lot of flexibility around when you want to raise the capital now? How would you approach the capital raise if at all?

Amitabh Chaudhry: So Adarsh, first of all, let me like to remind you that when we had announced Citi transaction, we had said that we had talked about a proforma CET1 of close to 12.9%.

So we obviously are way better off in terms of our CET1 ratio than what we had anticipated when we announced the transaction. Obviously this gives us a huge amount of flexibility in when, what, how much we raise and at what point in time we raise.

As I said in my opening remarks, today we have a capital ratio. Firstly, our existing business has been a net additive to capital and we are able to manage growth and add something to our capital. The capital position of the CET1 ratio we have ended up with post the acquisition is way higher than where we anticipated it to be. So yes, a huge amount of flexibility and we'll use this flexibility. We are in absolutely no hurry. And we'll be in no hurry to go and approach the markets anytime soon.

Adarsh Parasrampuria: And lastly with all costs rolled in, right, you all put out a number of Rs 800 – Rs 8550 crores of profit for this business. Once you adjust for everything like how you take the business and you'll say it should be accretive to earnings from CY24. So should one expect that as you do the integration cost, the profit dips, but in a year's time the business profit is more than the Rs 800 crores, Rs 850 crores which was there, a lock stock barrel, you know when you acquired it?

Puneet Sharma: Adarsh, thanks for the question. I think the dimensioning of the Rs 850 crores was after taking out group overheads that the Citi business in the Citi world was being allocated. The Rs 842 crores that we had dimensioned in our proforma disclosure in March 2022 did not have synergy benefits on cost or revenue built in. That is the context of the Rs 842 crores number that we had then disclosed. Currently our estimation of the range at which the business is running is between Rs 800 crores and Rs 850 odd crores, so no material change from our previous disclosure. To your point on estimated integration expenses. We had estimated Rs 2,000 crores pre-tax, Rs 1,500 crores post-tax. We stay with that estimate. And that expense will be incurred over 18 months period.

Moderator: Thank you Mr. Parasrampuria, may we request you to return to the question queue for follow-up questions. We'll take the next question from the line of Abhishek Murarka from HSBC. Please go ahead.

Abhishek Murarka: Hello. Thanks for taking my question and congratulations on completing the deal. So one question is, in March 22, you had provided these proforma financials and broadly the PAT estimate remains where it was. You just made a comment that in the Rs 842 crores you did not build any synergy benefits. But in the current Rs 800 crores, Rs 850 crores estimate, are those benefits built in or that is like to like?

Puneet Sharma: Abhishek, thanks for the question. I think if you read slide 16 in conjunction with slide 17 of the investor presentation, it is the like for like to the March disclosure. Synergy benefits should be over and above this. We had previously said that synergy benefits would accrue over a period of two years and we carry forward that comment as part of the current disclosure.

- Amitabh Chaudhry:** Just a second. I'd like to add that I did mention in my remarks that we already identified 60 plus specific elements of synergy where some work has already started. So obviously now we'll start to ride on these because now the acquisition has already been completed. Already a lot of work is going on to ensure, and obviously I completely agree with the remarks made by Puneet, that we ensure that we get these to the table as quickly as possible.
- Abhishek Murarka:** Sure, sure. Got it. And just this charge of prudent provisions that you said you take in 4Q, would you be able to quantify the approximate amount?
- Puneet Sharma:** Abhishek, it is difficult to quantify the amount. We have policies that are prudent. That provision will have to be taken basis balances that we inherit as at 28th February 2023. Those balances are subject to true up/true down. So we don't have the final balance to give you the number. We will give you that number in due course when we disclose our results.
- Moderator:** Mr. Murarka may I request that you return to the question for follow-up questions. We'll take the next question from the line of Vishal from UBS.
- Vishal:** Thanks for this call. What is the amount of adjustment, which will have to go through networth. So I think one is, of course, the goodwill and the cost of acquisition?
- Puneet Sharma:** Vishal, thank you for the question. Effectively, what we put out today is Rs 11,603 crores of purchase consideration, which will encompass goodwill and other intangibles. That gets written-off in quarter four, because we said we'll write it off in FY '23. So yes, that is a net adjustment to net worth. And we've called out the capital impact of that, which is effectively 177 basis points across goodwill write-off plus capital attributable to asset requirement. In so far as policy true up is concerned, like I said previously, we need the 28th Feb numbers to make a full assessment and we'll make some disclosures in due course.
- Vishal:** And do we get any tax benefit on this, in future?
- Puneet Sharma:** Vishal, acquired goodwill was not deductible from a tax perspective. So that's the current position under the finance bill.
- Vishal:** The other one is on the ROE accretive. So I think, and just adding to all the questions which have already been asked. We say around Rs 800 crores- Rs 840 crores is the profitability of the business we acquired. And roughly that is the cost, which you would be paying in transition per year, like that Rs 1,500 crores post tax. So that kind of nullifies each other.
- Now, we say, CY '24, which means we are taking the entire two years to start accruing on ROE. So that is one. So whether, like CY '24 is like end-CY '24, or I think we are

talking generally about the average '24 would be significantly better. And within that, when it's ROE accretive, we are making 17%, 18% ROE on the Axis Bank itself right now. So when you say accretive means that this new business would be doing like 20% ROE by that time? I'm just putting some numbers, just to put things in perspective?

Puneet Sharma: So Vishal, again, thanks for your questions and breaking them up into two parts, I'll give you pointed answers for your consideration. We've disclosed an acquisition PAT range of Rs 800 crores to Rs 850 crores on Slide 16. We also disclosed the estimated equity requirements for the business on Slide 16, which is Rs 3,292 crores. Since the PAT is a full year number, half of the PAT will accrete to networth. And therefore, if I look at the Rs 800 crores value and Rs 3,292 crores capital allocation, you get a 21.7% return on equity on a full year basis. So that should give you a sense of why we make the comment that this business is ROE accretive for us even in light of our current performance.

Your second question on implementation, estimated integration expenses, we said that over an 18-months period. And if we start that implementation expense for discussion purposes 1, April 2023, 18 months will take you into calendar year '24. And that should give you a clear reason on why we are calling out calendar year '24 should result in a positive accretion.

Moderator: Mr. Vishal, may we request that you return to the question queue for follow-up questions. We'll take the next question from the line of M. B. Mahesh from Kotak Securities.

M.B. Mahesh: Just couple of an additional question to what Vishal asked. The goodwill amortization moves through the P&L or it goes as a direct knock-off from the networth?

Puneet Sharma: Thanks, Mahesh. Under the current accounting standard, goodwill will be a charge to the P&L. And therefore, it will impact the networth through the P&L since it's not tax deductible, it's a one-time impact.

M.B. Mahesh: Just an additional question. If you look at the interest rate offered on both savings term as well as on the loan side, is there a meaningful difference that will accrue or not accrue once it moves into Axis Bank's balance sheet?

Puneet Sharma: So Mahesh, effectively, clearly, from a customer perspective, we offer a savings account rate that is better than what is currently offered to Citi customers. So the transition into the Axis family of all the Citi customers is net accretive from a savings rate perspective for them. Loans and deposits, effective pricing is market linked. So I really don't have a directional comment to offer there.

Moderator: Mr. Mahesh, may we request that you return to the question queue for follow-up questions. We'll take the next question from the line of Rahul Jain from Goldman Sachs.

Rahul Jain: So just two questions. First one is on this charge of Rs 1,500 crores that will have to pay to Citibank global. So how would that be accounted for? Or rather, over what period this charge would go off and this profit estimate that, Puneet, we talked about Rs 800 crores to Rs 850 crores, does that take into account that number or not? So that's the question number one.

Puneet Sharma: Rahul, thanks for the question. The Rs 800 crores to Rs 850 crores does not take into account the estimated integration costs, because they are one-time costs. The PAT that we put out is our estimation of recurring PAT. The second part of your question, which is Rs 1,500 crores post tax, we have currently indicated that it is over an 18-month period. So it will get charge to the P&L over that period.

Rahul Jain: So this CY '24, you're saying, this will be accretive. If I take this Rs 1,500 crores into account, then it may not accrete in CY '24. It may spill over to CY '25? Is this how, it's supposed to be understood or CY '24 takes into account the charge of this Rs 1,500 crores also?

Puneet Sharma: So the way it has to be looked at is, post the integration expenses, which should run out over an 18-month period in calendar year '24 on an incremental basis, the deal is ROE accretive. If you look at a full calendar year period, then yes, I would agree with your observation that you would have a tail cost that runs into calendar year '24.

Moderator: We'll take the next question from the line of Sumeet from Morgan Stanley.

Sumeet: Congrats Puneet for this deal. Couple of questions. So one is you said that the proforma PAT is broadly similar to one that was disclosed 11 months back. My point is that if the deposit base is down, AUM is down, what has sustained the proforma PAT at a similar level? Like is there something that I'm missing? Because I just thought that maybe the profitability on that same portfolio should be lower, if all these metrics are down, so can I understand that better?

Puneet Sharma: Sumeet, thank you for the question. If you recollect what we disclosed in March of 2022 was for calendar year ending 31, December 2020. Please appreciate that through the P&L that was a COVID impacted year. And when we are holding the number currently, we are estimating it on a full P&L basis as we see it today.

Sumeet: But that a normalized PAT, right, Puneet, when you have given calendar 2020?

Puneet Sharma: That's right. It was normalized, but the normalization was in the context of the available facts then. The current acquisition PAT estimated is on current available facts.

- Sumeet:** Second question would be with respect to the acquisition cost. So will that be like linearly expensed? Like, should I assume just to be like equally over 18 months and six quarters like in a sense or will be up-fronted sorry, if you have already clarified that, but just trying to check?
- Puneet Sharma:** So, Sumeet, I'm presuming you're asking me the charge-out period of the integration cost that we've put out. There is a component of the integration costs that we pay to Citibank that is pro-rated and linear over an 18-month period, and that should represent close to about 70% to 75% of the estimated expenses. The balance will be cost that we will incur to get this business fully onboarded into the Axis platform and that will be a function of the timing of the expenditure incurred. So long answer short for you. A dominant part of this cost is linear and should get charged to the P&L on a linear basis, subject to the comment of the balance being episodic.
- Moderator:** The next question is from the line of Saurabh from JPMorgan. Please go ahead.
- Saurabh:** Just one question. So this proforma PAT of Rs 800 crores, it includes the differential in savings rate included or is it excluding that?
- Puneet Sharma:** Thank you for the question Saurabh. When we presented the acquisition PAT, like I said earlier, this is taking into account facts that we know today, so yes, it adjusts for the savings accounts impact.
- Moderator:** The next question is from the line of Sameer Bhise from JM Financial.
- Sameer Bhise:** Just wanted to ask, in the previous presentation, which you had disclosed last year, there were details on the opex run rate on the entity, which was being acquired or the business that has been acquired. Is it fair to assume, that number won't have changed meaningfully given that the outcome that is in terms of PAT is also on similar lines?
- Puneet Sharma:** Sameer, like we said, that was effectively calendar year 31, December 2020, normalized. We do not have a granular update to that estimate as we speak. As and when we have that granular update to provide, we'll come back and make that disclosure. As of now, what we've estimated is the acquisition PAT, and that's what we've disclosed today.
- Sameer Bhise:** And secondly, on this final figure, post the true up, true down, whatever it lands at, just rechecking whether you said that that number will be disclosed by around 31, March 2023, is that right?
- Puneet Sharma:** No, that's not what we said. I'd like to clarify. The true up, true down adjustment will happen based on movement in balances between 31, January 2023 to end of day 28, February 2023. We have a contractual period between Citi and us to decide the closing statement and the closing adjustments, and that will happen over a period of time. We're

not likely to have that ready by 31, March 2023. So we'll give you an update beyond that. I think the simplistic message I would like to leave with you is as we stand today, that purchase price adjustment should remain in a tight range.

Sameer Bhise: And just lastly, but the charge-off you will take is 4Q of FY '23?

Puneet Sharma: That is absolutely correct.

Moderator: Next question is from the line of Prakhar Sharma from Jefferies.

Prakhar Sharma: Congratulations on closing the deal. Just a couple of things. One, the tax rate that is like for the Rs 840 crores profit, is that the one that applies to foreign entities, which are like 40%, 45%? So if you can clarify, what is the pre-tax range or the tax rate that will help?

And second, in the 4Q result, besides the charge-off, would there be any other material line related to the merger that we should keep an eye on?

Puneet Sharma: So since it was a normalized PAT that was disclosed, the normalized PAT is basis tax rate applicable to Axis Bank. Between the 48% and the 25% of foreign versus domestic taxation. That's built into the PAT estimation.

To your second question on other than goodwill write-off, what are the other kind of items that you should see in quarter 4? There will be two other items that you will see. There will be a one-time policy harmonization charge, where Axis policies are more conservative than Citi policies. So you will see that cost come through. And you will see certain transaction expenses, which encompass bankers' fees, duties and taxes being permitted. We will call that out to the best of our ability when we disclose quarterly results in April of 2023.

Moderator: The next question is from the line of Anand Dama from Emkay Global.

Anand Dama: So basically, what is the reason for such a sharp run-down in the deposit? Is it that there were a lot of corporate relationships, which had the salary accounts, which ran down, and so also the corporate relationships? So can you just explain the run-down in the deposit?

Arjun Chowdhry: This is Arjun here. I'll take that. So no, it's not because of a run-down in the corporate relationships. I think Subrat mentioned this earlier. This was an exercise where we, before the transition, we actually engaged with all our customers to actively seek their consent. So those customers who come over are those that have consented to come over to Axis Bank. So it is, in that sense, a one-time kind of an exercise, and it represents the net result of all the business activities plus the consent that occurred between the time of the reference data, between the time of the announcement, and

the final data, today. So we expect that this steeper fall is actually an accumulation of all those actions, but it's certainly not indicative of the trend going forward.

So the Rs 50,000 crore to Rs 40,000 crore that was alluded to earlier is definitely a one-time action. Also, if you go to page 9, you'll find that the average deposit per account has actually grown over the period June '21 to January '23. And this is despite the fact that June '21, the industry was at a high, because of the COVID second peak that all of us were going through.

So, despite that, in terms of we've been able to retain all the quality customers and we've been able to retain all the active customers, deposit-bearing customers, and in fact been able to grow the deposits on a per-capita basis as well. So that's an interesting point to keep in mind as well.

Anand Dama: But any particular reason that you attribute for the customers who did not ported into basically Axis Bank, as well as on the saving side?

Arjun Chowdhry: Yes. So, there was no single big reason which stood out. People took this as an opportunity to consolidate their holdings as we know many people, especially those in the affluent segment of the Indian industry have multiple accounts. So some of them took that opportunity to consolidate accounts, some of them moved the money to other organization. But there was no single standalone reason which came out in our analysis as for customers to decline consent.

Anand Dama: So any reason you feel that you can win back your customers?

Arjun Chowdhry: Sorry, could you repeat the question? The line wasn't too clear.

Anand Dama: Do you feel that you can again win back those customers later?

Arjun Chowdhry: Yes, we do. We certainly do. Because as Amitabh mentioned earlier, the offering, starting with the fact that the savings interest rates have gone up immediately, starting with that and with a slew of other aspects, we will now have a much more powerful offering to those customers than we had earlier. So going back to those customers and bringing to them the new palette of offers, benefits, features, products with the same set of people whom they've been comfortable dealing with, I think makes for quite a compelling proposition and gives us an opportunity to win back some of those customers.

Moderator: We take the next question from the line of Nitin Aggarwal from Motilal Oswal.

Nitin Aggarwal: Congratulation on the completion of the deal. Two questions. One is like, revolve rate has been a big mover of profitability in the card business. And so have you adjusted for this experience which presumably may not be so good as experienced with the other

peers? So any tinkering that you have done in respect to valuation because of the decline in revolve rate?

Subrat Mohanty: This is Subrat. See, the revolve rate trends of the acquired portfolio is in line with what the trends have been for the overall industry. And like the industry, even the acquired business that we have taken over, we have found other levers to compensate for the reduction in the revolve fee income or the revolve income that everyone gets.

And that you can see as part of slide 9 itself, where the monthly spends per card have grown handsomely to the tune of almost 30%-plus. So this is the trend for the industry at large. And the industry including the acquired business and even Axis portfolio, we have found alternative ways to compensate for that particular reduction in the income.

Nitin Aggarwal: And secondly, the employees that we have on boarded, 3,200-odd employees, has there been any change in their HR benefits, compensation, whatsoever they were drawing earlier?

Subrat Mohanty: So I'll just highlight how the HR and the people integration has gone on. We made offers to every single Citibank employee who was part of the perimeter of this transaction. Almost 96% of the employees across grades and locations accepted our offer. Every single offer was weighed against the existing terms and existing employment benefits that all these colleagues had.

And the way it was architected was it was no less favorable, which meant that we either matched the offer or we, in some cases, harmonized to our practices, our benefits, which are better. So we have completed that. And all of these, I mean the percentage of employees or the percentage of colleagues who have accepted the offer at 96% is a very-very healthy number when you compare it with any other M&A transactions of this size and of this nature. So in that sense, I would consider that a fairly comfortable space in terms of continuity of the services to the end customer.

Nitin Aggarwal: And lastly, one clarification. Is there any overlap between Citi card customers and Axis and what will be our approach to them? Because some banks prefer to issue only one card to one customer. So how will you go about that in case?

Subrat Mohanty: Today is day one. We didn't have the customer-level data shared because we could not have shared it before today. There will be some overlaps, of course. Our sense is as we get into the next phase of integration, we will get deeper into the details of what the level of overlaps are. We see any overlap between the portfolio as an opportunity to consolidate and then deepen the relationship, because these are customers who possibly are happy to have both the relationships.

And then our ability to go deeper with those customers is there, and we will try our best to use the relationship that both entities have to further our offerings to that particular customer base. But right now, because it's day one, we haven't yet got the extent of data that we would like to have before we can start analyzing and having answers for them.

- Moderator:** The next question is from the line of Pankaj Agarwal from Ambit Capital.
- Pankaj Agarwal:** Sir, what's the size of the balance sheet you are acquiring right now? I mean, how much it would add to your assets and liabilities on day one?
- Puneet Sharma:** Thank you, Pankaj, for the question. The addition would be Rs 27,300 crores on assets, Rs 40,000 crores on liabilities. That's roughly about 3.5% on assets and 4.5% on liabilities.
- Pankaj Agarwal:** Extra Rs 13,000 crores would be what, cash and investments?
- Puneet Sharma:** That will come in the form of cash.
- Pankaj Agarwal:** And second, you'll start booking income from March 1, onward, right? So whatever Citi has earned over the last 11 months, that's not a part of the deal, right?
- Puneet Sharma:** That is absolutely correct. We own the business from March 1. Therefore, we start accruing income and expenses from March 1, 2023.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Amitabh Chaudhry for closing comments. Thank you, and over to you, sir.
- Amitabh Chaudhry:** Thanks a lot, everyone, for joining the call on a short notice. This is a very-very important transaction in the history of Axis and we're looking forward to executing on this transaction in the next 18 months or so. We'll obviously keep sharing the information with you as and when we have the information. Thanks a lot once again and if you have any questions, you can continue to reach out to us anytime. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Axis Bank, thank you for joining us and you may now disconnect your lines.