

AXIS BANK ANNOUNCES FINANCIAL RESULTS FOR THE QUARTER ENDED 30th JUNE 2020

Axis Bank reports 19% Y-O-Y uptick in the Net Profit ⁽¹⁾

- Net Interest Income in Q1FY21 grew by 20% YOY; Cost to assets at 2.00%, YOY improvement at 8 bps
- Total deposits grew 19% YOY on QAB, Loan book (including TLTRO investments) grew by 17% YOY
- CASA ratio at 41%
- Improving asset quality, NNPA at 1.23% declines by 33 bps QOQ
- PCR improved from 62% to 75% YOY; including all additional provisions, coverage improves from 75% to 104%
- Capital adequacy ratio at 17.47%, CET 1 ratio improving to 13.50%

(1) Like for like comparison

The Board of Directors of Axis Bank Limited approved the financial results for the quarter and year ended 30th June 2020 at its meeting held in Mumbai on Tuesday, 21st July 2020. The Accounts have been subjected to a Limited Review by the Bank's Statutory Auditors.

The Board also noted that Axis Bank branches and ATMs remained operational throughout the COVID-19 phase and successfully maintained high levels of service quality, despite the disruptions caused by the pandemic. In Phone-banking, it was the first bank to open all vanilla lines for inbound customer care, ensuring that all customer service personnel are empowered with optimum training and infrastructure that eventually led to higher customer satisfaction scores.

Keeping in mind the need of the hour, Axis Bank developed new digital solutions to make banking more accessible for all. Along with Mastercard and Worldline today, the Bank launched 'Soft POS' to support small merchants and vendors, thus becoming the first financial payments service in India to transform everyday smartphones into merchant Point of Sale terminals. Merchants across the country now have an option to accept contactless payments, which encourages social distancing. Axis Bank was also the first Bank to on-board a school on BBPS, an innovative digital solution that brings convenience, efficiency and security to businesses for recurring payments. Through the Axis BBPS solution, students will now have the convenience of paying school fees digitally, while safely indoors.

At Axis Bank, a big investment on digital and technology has been for its people. While enabling a majority of its employees to work from home, the Bank also made a strategic choice to move towards a "Bring-your-workplace to your own device" architecture for its employees, which will be implemented over the next few months. It has developed an application that provides all employees access to HR functions, a revamped sales journey, along with strengthened cyber security measures.

Amitabh Chaudhry, MD&CEO, Axis Bank said, "The disruption caused by the pandemic has led to immense economic and social impediments, however, it has also brought about innovations across the industry. Axis Bank has been in the forefront, working with all its stakeholders to constantly come up with new solutions that strengthen the institution and support customers, employees and partners through this challenging phase. This has led to many 'firsts' and we are in the process of coming up with more. Our journey has been rendered even more special with our 'Dil Se Open' spirit that reverberates across all our branches and customer service touch-points."

Results at a Glance

- **Steady operating performance, net profit ⁽¹⁾ up 19% YOY:**
 - Net Interest Income in Q1FY21 grew by 20% YOY to ₹6,985 crores; NIM was 3.40%
 - Operating profit for Q1FY21 de-grew by 1% YOY to ₹5,844 crores.
 - Adjusted for accounting policy changes and NII reserves created during the quarter, NII, operating profit and PAT for the quarter would have been ₹7,100 crores, ₹6,151 crores and ₹1,626 crore respectively, growing by 22%, 4% and 19% YOY, respectively.
- **Growth in Deposits continues to drive Loan growth:**
 - Total deposits grew 19% YOY on quarterly average basis (QAB)
 - Savings Account deposits grew 15% YOY, Current Account deposits grew by 8% YOY and Retail Term Deposits (RTD) were up 27% YOY on QAB basis. CASA ratio was 39% on QAB basis
 - Including TLTRO investments, loan book and Corporate loans grew 17% & 26%; Retail loans up 16%
- **Strong Capital position with adequate liquidity buffers:**
 - Overall Capital adequacy at 17.47% with Common Equity Tier 1 ratio of 13.50% at the end of Q1FY21 including profit
 - Average Liquidity Coverage Ratio during Q1FY21 of 120%, with excess SLR of ₹26,640 Crores
- **Sustained and continuous strengthening and de-risking of Balance Sheet, visible through improving Asset quality metrics, consistent build-up of additional provisions:**
 - GNPA and NNPA declined to 4.72% and 1.23%, from 4.86% and 1.56%, respectively on QOQ basis
 - Our PCR* improved to 75% from 69% at March'20
 - Additional provisions held by the Bank at ₹6,898 crore, including provided during the quarter ₹915 crores
 - Including additional provisions, standard asset coverage ratio of 1.56%
 - Including all provisions (specific + standard + additional + Covid) coverage stands at 104% of GNPA
- **Among the top players in the digital space:**
 - Mobile banking spends grew 174% YOY
 - Market share in UPI transactions stood at 19% for Q1FY21; quarterly transactions up 163% YOY
 - Share of digital channels in sourcing fixed deposits and personal loan disbursements stood at 75% and 65%, respectively in Q1FY21

(1) Like for like comparison

* PCR excluding technical write-offs

Profit & Loss Account: Period ended 30th Jun 2020

Operating Profit and Net Profit

The Bank's operating profit for the quarter was ₹5,844 crores, down 1% YOY from ₹5,893 crores in Q1FY20. Net profit for Q1FY21 stood at ₹1,112 crores, down 19% YOY.

In the current quarter, the Bank reviewed its accounting practices and revised them to achieve more prudent and conservative outcomes. Adjusted for accounting policy changes and NII reserves created, the operating profit and PAT for the quarter would have been ₹6,151 crores and ₹1,626 crore respectively, growing by 4% and 19% on a YOY basis respectively.

Net Interest Income and Net Interest Margin

The Bank's Net Interest Income (NII) grew 20% YOY to ₹6,985 crores during Q1FY21 from ₹5,844 crores in Q1FY20. Net interest margin for Q1FY21 was 3.40%

Other Income

Non-Interest Income (comprising of fee, trading profit and miscellaneous income) for Q1FY21 declined by 33% to ₹2,587 crores. Fee income for Q1FY21 de-grew 38% YOY to ₹1,651 crores. The decline in fees can be attributed to lower business volumes and velocity of throughput of transactions. Retail fees constituted 57% of the Bank's total fee income. Miscellaneous Income, for the quarter stood at ₹313 crores as compared to ₹373 crores in Q1FY20.

Provisions and contingencies

Specific Loan Loss Provisions for Q1FY21 were ₹3,512 crores, compared to ₹2,886 crores in Q1 last year and ₹4,204 crores in Q4FY20. The Bank held additional provisions of around ₹5,983 crores towards various contingencies at the end of Q4FY20. The Bank has made incremental provisions aggregating ₹733 crores in Q1 FY21 towards COVID-19. At June 30, 2020, the Bank holds in aggregate additional provisions of ₹6,898 crores. It is pertinent to note that this is over and above the NPA provisioning included in our PCR calculations, and the 0.4% standard asset provisioning requirement on Standard assets.

The overall additional provisions held by the Bank towards various contingencies together with the standard asset provisions, translate to a standard asset coverage of 1.56% at June 30, 2020. On an aggregated basis, our provision coverage ratio (including specific + standard + additional + Covid provisions) stands at 104% of GNPA at 30th June, 2020.

Balance Sheet: As on 30th June 2020

The Bank's balance sheet grew 16% YOY and stood at ₹8,97,138 crores as on 30th June 2020.

The total deposits grew by 19% on quarterly average balance (QAB) basis and by 16% YOY on period end basis. On QAB basis, Savings account deposits grew 15% YOY and 5% QOQ, Current Account deposits grew 8% YOY and Retail Term Deposits grew 27% YOY. CASA and Retail Term Deposits on QAB basis put together recorded a growth of 20% YOY. The share of CASA and Retail Term Deposits in the Total Deposits on QAB basis was 81% as of 30th June 2020.

The Bank's advances including TLTRO investments grew 17% YOY to ₹ 5,79,444 crores as on 30th June 2020. The Bank's loan to deposit ratio stood at 89%. Retail loans grew 16% YOY to ₹2,98,636 crores and accounted for 53% of the net advances of the Bank. The share of secured loans was 81% with home loans comprising 36% of the Retail book. SME loan

book stood at ₹57,148 crores. 88% of the SME book is secured with predominantly working capital financing, and is well diversified across geographies and sectors. Corporate loan book including TLTRO investments grew by 26% YOY. 82% of Corporate book is now rated A- and above with 96% of incremental sanctions in Q1FY21 being to corporates rated A- and above.

The book value of the Bank's Investments portfolio as on 30th June 2020, was ₹1,87,323 crores, of which ₹1,42,664 crores were in government securities, while ₹33,071 crores were invested in corporate bonds and ₹11,588 crores in other securities such as equities, preference shares, mutual funds, etc. Out of these, 76% are in held till maturity (HTM) category, while 21% of investments are available for sale (AFS) and 3% are in held for trading (HFT) category.

Capital Adequacy and Shareholders' Funds

The shareholders' funds of the Bank grew 21% YOY and stood at ₹86,071 crores as on 30th June 2020. Under Basel III, the Capital Adequacy Ratio (CAR) and CET1 ratio as on 30th June 2020 including profit were 17.47% and 13.50% respectively.

Asset Quality

As on 30th June 2020, the Bank's Gross NPA and Net NPA levels were 4.72% and 1.23% respectively, as against 4.86% and 1.56% respectively as on 31st March 2020.

The Bank has recognized slippages of ₹2,218 crores during Q1FY21, compared to ₹3,920 crores in Q4FY20 and ₹4,798 crores in Q1FY20. Slippages from the loan book were at ₹2,011 crores and that from investment exposures stood at ₹207 crores. Corporate slippages stood at ₹1,355 crores. Recoveries and upgrades from NPAs during the quarter were ₹608 crores while write-offs were ₹2,284 crores. Consequently, net slippages (before write-offs) for the quarter stood at ₹1,610 crores compared to ₹1,431 crores in Q4FY20 and ₹2,621 crores in Q1FY20. Net slippages (before write-offs) in Retail and SME stood at ₹229 crores and ₹234 crores respectively.

As on 30th June 2020, the Bank's Gross NPA stood at ₹29,560 crores and Net NPA stood at ₹7,448 crores. As on 30th June 2020, the Bank's provision coverage, as a proportion of Gross NPAs stood at 75%.

Network

As on 30th June 2020, the Bank had a network of 4,528 domestic branches and extension counters situated in 2,559 centres compared to 4,094 domestic branches and extension counters situated in 2,380 centres last year. As on 30th June 2020, the Bank had 11,971 ATMs and 5,485 cash recyclers spread across the country.

Digital

Axis Bank continues to remain amongst the top players in mobile banking space - both in terms of transaction value and volumes, as per the latest RBI data available till April 2020. Axis Bank's mobile banking transaction volumes in Q1 grew by

174% YOY. Axis Bank has a market share of 19% in UPI ecosystem and has 109 million registered Virtual Private Address (VPA). The Bank processed over 672 million Unified Payment Interface (UPI) transactions in Q1 with total transaction value growing 83% YOY to ₹66,160 crores. The share of digital transactions in the overall transaction mix for the Bank remained strong at 87% as at end of June 2020. The contribution of Digital channels towards the business growth continues to rise steadily; 75% of fixed deposits, 48% of new mutual fund SIPs sourced and 65% of personal loan disbursements in Q1 were through digital channels.

Wealth Management Business – Burgundy

The Bank's wealth management business has seen strong growth and is among the largest in India with assets under management of over ₹155,571 crores as at end of June 2020. Burgundy Private that was launched in December 2019 for the high and ultra-high net worth clients, has scaled up rapidly to cover over 986 families with assets of ₹19,018 Crores as at June 30, 2020.

Joint venture between Max Financial Services (MFSL) and Axis Bank

Axis Bank and MFSL has announced the signing of the definitive agreements to become joint venture partners in Max Life Insurance Company Limited on Apr 28, 2020. Since then, the parties have approached the regulators for approval of the transaction and believe that the deal continues to be on track.

Responsible Corporate Citizen

At the very beginning, Axis Bank had set aside Rs 100 crore to support customers, employees, vendors and government agencies in the fight against coronavirus. With continuous efforts from Axis Bank Foundation (ABF), it has been able to extend Covid-19 relief efforts across states by supporting quarantine centres, awareness campaigns, distributing food & sanitation kits and providing livelihood support for farmers and migrant workers. The Bank also supported the West Bengal State Government in the wake of the devastating Cyclone Amphan.

Axis Bank also launched some innovative campaigns to support important social causes. This includes "reverse the khata", encouraging all to support small businesses and those who have been rendered financially vulnerable during the Covid-19 crisis and 'Chup Ho Jao', a campaign that harps on the importance of **not** sharing one's banking details.

₹ crore

Financial Performance	Q1 FY21	Q1 FY20	% Growth
Net Interest Income	6,985	5,844	20%
Other Income	2,587	3,869	(33%)
- Fee Income	1,652	2,664	(38%)
- Trading Income	622	832	(25%)
- Miscellaneous Income	313	373	(16%)
Operating Revenue	9,572	9,712	(1%)
Core Operating Revenue*	8,950	8,880	1%
Operating Expenses	3,728	3,820	(2%)
Operating Profit	5,844	5,893	(1%)
Core Operating Profit*	5,222	5,060	3%
Net Profit	1,112	1,370	(19%)
EPS Diluted (₹) (annualized)	15.79	21.14	
Return on Average Assets (annualized)	0.48%	0.69%	
Return on Equity (annualized)	5.74%	9.19%	

* excluding trading profit for all the periods

₹ crore

Balance Sheet	As on 30th June'20	As on 30th June'19
CAPITAL AND LIABILITIES		
Capital	564	524
Reserves & Surplus	85,507	70,704
Deposits	6,28,150	5,40,678
Borrowings	1,42,836	1,30,121
Other Liabilities and Provisions	40,081	32,539
Total	8,97,138	7,74,566
ASSETS		
Cash and Balances with RBI and Banks and Money at Call and Short Notice	60,080	38,277
Investments	1,87,323	1,75,792
Advances	5,61,341	4,97,276
Fixed Assets	4,359	4,053
Other Assets	84,035	59,168
Total	8,97,138	7,74,566

₹ crore

Business Performance	As on	As on	%
	30 th June'20	30 th June'19	Growth
Total Deposits (i)+(ii)	6,28,150	5,40,678	16%
(i) Demand Deposits	2,56,757	2,23,474	15%
- Savings Bank Deposits	1,76,318	1,52,263	16%
- Current Account Deposits	80,439	71,211	13%
Demand Deposits as % of Total Deposits	41%	41%	
(ii) Term Deposits	3,71,393	3,17,204	17%
- Retail Term Deposits	2,67,086	2,10,897	27%
- Non Retail Term Deposits	1,04,307	1,06,307	(2%)
Demand Deposits on a Quarterly Daily Average Basis (QAB)	2,43,651	2,16,232	13%
Demand Deposits as % of Total Deposits (QAB)	39%	41%	
Net Advances (a) +(b) + (c)	5,61,341	4,97,276	13%
(a) Corporate	2,05,556	1,77,455	16%
(b) SME	57,148	61,616	(7%)
(c) Retail	2,98,636	2,58,205	16%
Investments	1,87,323	1,75,792	7%
Balance Sheet Size	8,97,138	7,74,566	16%
Gross NPA as % of Gross Customer Assets	4.72%	5.25%	
Net NPA as % of Net Customer Assets	1.23%	2.04%	
Equity Capital	564	524	
Shareholders' Funds	86,071	71,228	
Capital Adequacy Ratio (excluding net profit for Q1 FY21)	17.29%	15.82%	
- Tier I	14.44%	12.66%	
- Tier II	2.85%	3.16%	
Capital Adequacy Ratio (including net profit for Q1 FY21)	17.47%	16.06%	
- Tier I	14.62%	12.90%	
- Tier II	2.85%	3.16%	