

Q1 2024

1. Loan portfolio expansion

- **Narrative:** Management has outlined a focused strategy on expanding the loan portfolio, particularly by increasing the contribution of Axis 2.0 to the bank's overall business. There is a clear intent to significantly grow the home loan segment as a part of this expansion strategy. This approach is expected to enhance the bank's market presence and drive revenue growth over the coming quarters.

- **Management's Guidance:**

- Management aims to increase the contribution of Axis 2.0 to the bank's overall business by 3-4 times by fiscal 2027. There is an initiative to grow the home loan book, with visible results anticipated from Q2 and Q3 onwards.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

2. Interest income trends

- **Narrative:** Management highlighted the significance of the upcoming maturity of fixed-rate loans, which constitutes a substantial portion of the portfolio. This maturity will allow for the repricing of loans, potentially offering an opportunity to capitalize on prevailing interest rate conditions, thereby impacting future interest income trends.

- **Management's Guidance:**

- Management indicated that 42% of their fixed-rate loans are set to mature over the next 12 months, which will influence the repricing frequency of these loans.

- **Actual Results:**

['Q2', '2024']:

- Interest Income Q2FY24 showed growth.

['Q3', '2024']:

- Our interest income has increased by 15% this quarter compared to last year.

['Q4', '2024']:

- Interest Income for Q4FY24 showed a 22% growth compared to Q4FY23, and for the full FY24, it showed a 28% growth compared to FY23.

['Q1', '2024']:

- Interest Income in Q1FY24 was reported as 25,557 crores, showing a 36% growth compared to Q1FY23.

- **Evaluation:**

- **Expectations Exceeded:** The management expected the maturity of 42% of fixed-rate loans to influence interest income trends, and the actual results showed a significant growth of 28% in interest income for FY24 compared to FY23, surpassing the anticipated impact.

3. Cost management strategies

- **Narrative:** Management emphasized the strategic focus on integrating the Citi business, which is expected to be accretive to the company's Return on Equity (RoE) post-integration. This approach is part of the broader financial strategy to enhance cost efficiency and profitability.

- **Management's Guidance:**

- Management anticipates that the Citi business will contribute positively to RoE after full integration. Additionally, they expect the bank branches to reach full profitability within a couple of years.

- **Actual Results:**

['Q4', '2024']:

- In Q4 FY24, the Bank delivered a consolidated ROE of 20.87% and has consistently delivered ROEs of greater than 18% for the past 7 quarters.

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- Consolidated ROE for H1 FY 24 at 19.04%, improving 179 bps YOY.

- **Evaluation:**

- **Expectations Exceeded:** The management anticipated that the Citi business integration would improve the bank's Return on Equity (RoE), and the actual results show the bank consistently delivering RoEs greater than 18% for seven quarters, with a notable 20.87% in Q4 FY24, surpassing the expected positive contribution to RoE.

4. Fintech partnerships

- **Narrative:** Management has highlighted the successful launch of their digital co-lending platform, which is currently operational with over six partners. They emphasize a strategic focus on expanding this platform by adding more products and partners throughout the year, indicating a commitment to strengthening their fintech collaborations as part of their digital transformation strategy.

- **Management's Guidance:**

- Management plans to expand the digital co-lending platform by onboarding additional products and partners within the current year.

- **Actual Results:**

['Q2', '2024']:

- Digital end to end co-lending journey is scaling up well and live with 8+ partners

['Q4', '2024']:

- In Q4 2024, the digital end-to-end co-lending journey is reported to be scaling up well, with the platform being live with 11+ partners, indicating progress beyond the initial target.

['Q1', '2024']:

- Our digital co-lending platform is live with 6+ partners.

['Q3', '2024']:

- Our digital co-lending platform is live with 10+ partners and the volumes are growing 80%+ QOQ.

- Evaluation:

- **Expectations Exceeded:** Management planned to expand the digital co-lending platform by onboarding additional products and partners within the year, and the actual results show the platform scaling up with over 11 partners by Q4 2024, surpassing the initial target.

5. Cost reduction initiatives

- **Narrative:** Management has outlined a clear focus on enhancing operational efficiency through various cost reduction initiatives. They emphasize the strategic importance of these initiatives in sustaining long-term growth and competitiveness, acknowledging that such efforts are crucial amidst the current integration processes.

- Management's Guidance:

- Management anticipates that the improvements planned over the next 7-8 quarters should deliver tangible results, although they acknowledge that some inter-quarter fluctuations are to be expected due to the scale and size of their business. Additionally, they noted that the cost ratios are expected to remain sticky until the Citi integration phase is completed.

- Actual Results:

['Q4', '2024']:

- Data Not Available

['Q1', '2024']:

- In Q1 2024, Axis Bank reported a cost growth of 28% year-over-year, with integration expenses accounting for 21% of the year-over-year growth and 28% of the quarter-over-quarter growth. The cost to income ratio improved by 417 basis points year-over-year to 48.29%.

['Q2', '2024']:

- Integration expenses contribute 4% of the YOY growth in % terms and ~ 13% of the YOY cost growth in rupee terms.

['Q3', '2024']:

- Operating expenses for the quarter stood at Rs. 8,946 crores, growing 32% YOY and 3% sequentially.

- Evaluation:

- **Expectations Not Met:** Management anticipated cost improvements, but costs grew significantly year-over-year, with integration expenses contributing notably to this growth, indicating that the expected cost reductions have not materialized.

6. Non-performing assets management

- **Narrative:** Management highlighted the cyclical nature of rural non-performing assets (NPAs), indicating that these typically follow a specific seasonal pattern. The expectation is that NPAs will have a noticeable impact during the first and third quarters due to the rural cycle.

- Management's Guidance:

- Management anticipates the rural NPAs to manifest their effects predominantly in the first and third quarters of the fiscal year, aligning with the rural cycle.

- Actual Results:

['Q4', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q1', '2024']:

- In Q1 2024, the Gross Non-Performing Assets (GNPA) stood at 1.96%, declining 80 basis points year-over-year (YOY) and 6 basis points quarter-over-quarter (QOQ). The Net Non-Performing Assets (NNPA) was at 0.41%, declining 23 basis points YOY and remaining flat QOQ.

['Q2', '2024']:

- Data Not Available

- Evaluation:

- **Expectations Not Met:** In Q1 2024, both Gross and Net Non-Performing Assets declined, contrary to management's guidance that rural NPAs would have a noticeable impact due to the rural cycle in the first quarter.

7. Geographic market penetration

- **Narrative:** Management has outlined a strategic plan to significantly increase their presence in key markets, with a focus on opening new branches to boost market penetration.

- Management's Guidance:

- The company is aiming to open around 400 new branches in the current financial year, which is expected to enhance their geographic reach and market penetration.

- Actual Results:

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- During Q2 FY24, the company added 204 branches, as reported by Puneet Sharma and Ravi Narayanan, indicating progress towards their goal of opening 400 new branches for the financial year.

['Q4', '2024']:

- We have opened 125 new branches in the quarter and 475 new branches through the year.

['Q1', '2024']:

- Data Not Available

- Evaluation:

- **Expectations Exceeded:** The company aimed to open 400 new branches in the financial year, and they surpassed this goal by opening 475 new branches,

indicating their strategy for geographic market penetration exceeded expectations.

8. Liquidity management plans

- **Narrative:** The management has discussed the anticipated increase in deposit costs over the remaining part of the financial year. However, they have indicated that the pace of growth in deposit costs is expected to moderate. This suggests a strategic approach to managing liquidity in the face of rising deposit expenses.

- **Management's Guidance:**

- Management expects deposit costs to increase further over the remaining part of the financial year, with a likely moderation in the pace of deposit cost growth.

- **Actual Results:**

['Q4', '2024']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

9. CET-1 ratio dynamics

- **Narrative:** The management highlighted their strong CET-1 ratio of 14.38%, which is strategically maintained above the necessary levels to protect their domestic AAA rating. This ratio provides sufficient capital headroom to support their growth ambitions, which are targeted to be 400 to 600 basis points higher than the industry credit growth.

- **Management's Guidance:**

- Management indicated that with the current CET-1 ratio, the company is well-positioned to pursue growth at a rate significantly higher than the industry average, specifically targeting 400 to 600 basis points above industry credit growth.

- **Actual Results:**

['Q2', '2024']:

- CET-1 at 14.56%, with net accretion (including profits) of 54 bps in H1 FY24 and 18 bps in Q2 FY24.

['Q4', '2024']:

- Banks CET-1 including profits stands at 13.74% improving 3 bps QOQ. Organic CET-1 accretion in FY24, including profits was 44 bps, change in regulations adversely impacted CET-1 by ~72 bps.

['Q1', '2024']:

- 95862a96b311d3936f2f84da5aee006d --> [AXIS BANK] Net accretion to CET-1 of 36 bps in Q1FY24

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- cdd9b5afcf091653a2f4433547940e15 --> 14.38% *** CAR CET 1

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- b38b0539eb29f17570f8e251df6c474b --> Self sustaining capital structure with net accretion to CET-1 of 36 bps in Q1FY24

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- f1527c93f44ec2fe5b20888c236bcc3e --> organic axis business driven CET 1 accretion in the quarter of 36 bps

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- c2f990ff9250c4b592806151955df5c2 --> CET-1 accretion net of organic consumption, was 36 bps

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- 303f63792aa2b6c72fd8220d53ac35e9 --> Puneet Sharma [Our current CET1 stands at 14.38%]

['Q3', '2024']:

- The CET-1 ratio for Axis in Q3 2024 was reported at 13.71%, with an organic net accretion to CET-1 of 39 basis points in the first nine months of FY24. However, changes in regulations negatively impacted the CET-1 ratio by approximately 70 basis points.

- **Evaluation:**

- **Expectations Not Met: While management targeted a CET-1 ratio to support growth ambitions 400 to 600 basis points above industry credit growth, the ratio decreased to 13.74% by Q4 2024, partly due to regulatory changes, suggesting the company's capital headroom did not fully meet its growth targets.**