

Proposed Acquisition of Citibank's Consumer Businesses in India

30th March 2022



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Key Strategic Rationale & Potential Synergies

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Proforma Financials and Capital Impact

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Integration Plan and Timeline

Transaction Overview

Acquisition of Citibank's consumer businesses in India



Highlights of Business Acquired

- Axis Bank to acquire from Citibank NA India and Citicorp Finance (India) Limited (“Sellers”) the Citibank’s consumer businesses (“Citi India Consumer”) as going concerns, without values being assigned to individual assets and liabilities.
 - Aggregate ENR of INR 274 Bn across Credit Cards, Mortgage, Personal & Ready Credit Loans, Asset Backed Finance, Small Business Banking
 - ~ 2.5 Mn cards with industry leading transaction per card and spend per card metrics
 - Aggregate Deposits of INR 502 Bn of which 81% CASA
 - Total AUM (Wealth & Private Banking) of INR 1,109 Bn across Citi products including Citigold Private, Citigold, Citi Priority and Citi Private Bank customers
 - 7 offices, 21 branches, 499 ATMs
- Axis Bank to make offers of employment to ~ 3,600 in-scope consumer employees to ensure business continuity for Citi customers joining the Axis family

Purchase Consideration

- Total purchase consideration (subject to customary & contractual adjustments) for Citi India Consumer upto INR 12,325 Cr
- Implied PE of 18.7x on normalized CY20 standalone financials⁽¹⁾

1) Refer slide 15 for details

Transaction Overview

Acquisition of Citibank's consumer businesses in India



Financial considerations

- Estimated to be EPS & ROE accretive in CY24
- ~180 bps⁽¹⁾ impact on Axis Bank's CET 1 capital ratio attributable towards purchase premium
- ~50 bps⁽¹⁾ impact on Axis Bank's CET 1 capital ratio to meet incremental RWA capital requirements
- Strong balance sheet provides flexibility to fund Citi India Consumer purchase through on balance sheet liquidity, external capital or combination of both
- On a Proforma basis⁽¹⁾, post transaction CAR would be ~16.4% which is well above the regulatory requirement

Closing Timeline

- Closing is expected to be achieved in Q4FY23, subject to regulatory and/or other customary conditions

Branding and Transition Support

- Post Closing, Sellers or Seller affiliates to provide requisite support and services to be covered under a Transition Servicing Agreement for a period of ~18 months as well as Citi brand continuity during this period for smooth transition and integration of the business with Axis Bank's platform

1) Based on financial position at December 31,2021

Key Strategic Rationale



Access to a large, affluent and profitable consumer franchise

- Aligns well with Axis Bank's Premiumization strategy



Complementary and strengthens our position to a top 3 Credit Card player⁽¹⁾ in India

- A quality credit card franchise with one of the highest wallet share in premium cards



Access to a sizable granular deposit base with deep corporate salary relationships

- Aids journey to bridge the gap with peers : CASA of 81% with SA deposits 73%, CASA ratio on a proforma basis⁽²⁾ of ~ 47%



Natural fit for our strong wealth management franchise to accelerate growth ambitions

- Well positioned to leverage Burgundy platform to serve affluent Citi customer base – 3rd largest Wealth manager by combined AUM



Experienced leadership and diverse talent pool

- Access to one of the best banking teams with deep domain expertise to augment Axis Bank's overall bench strength



Significant potential for revenue and cost synergies

- Revenue upside from cross sell of differentiated products to a larger combined customer base, 30-40% cost synergy

1) Based on End Net Receivables

2) Proforma is addition of Axis Bank's deposits as at December 31, 2021 and that for Citi as at June 30, 2021

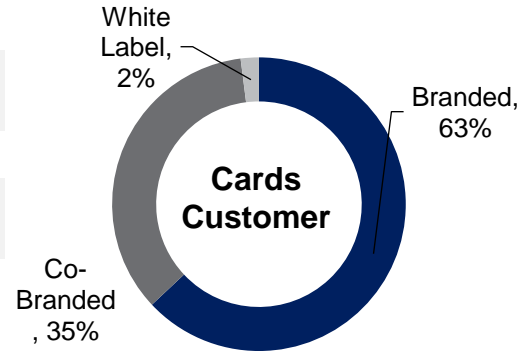
Overview of Citi India Consumer businesses



#1 Foreign Bank Credit Card Issuer in India

#1 in Transactions per Active Card in India

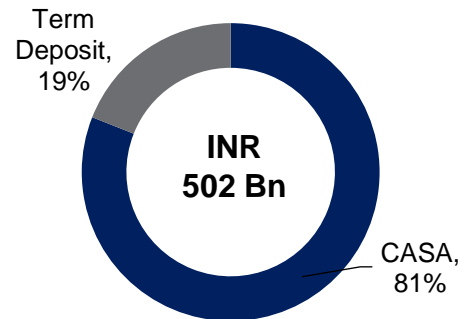
INR **89 Bn** ENR



#1 Foreign Bank with 1.2 Mn+ Retail customers

>1,600 Suvridha Corporates

INR **502 Bn** of Deposits



Wealth Management & Private Banking

Wealth Management

#1 MF distributor among Foreign Banks

40,000+ Affluent Customers

INR **820 Bn** AUM

Citi Private Banking

100+ Families

UHNI Client > USD 25 Mn Net Worth

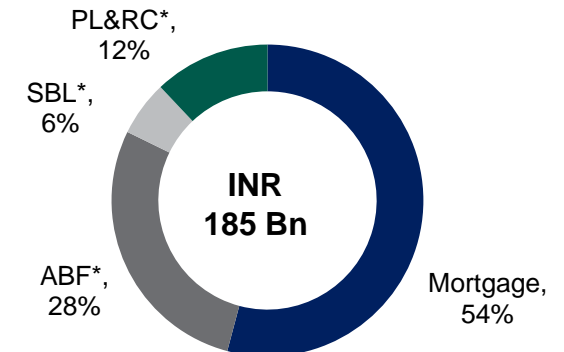
INR **289 Bn** AUM

Other Lending

Mortgage : **90%+** owner occupied

PL & RC* – **2.2 lakh+** Customers

INR **185 Bn** ENR



~ 3,600 Employees

7 Offices

21 Branches

499 ATMs


“Fee oriented” consumer business with comprehensive suite of products & services catering to attractive affluent customer base


* ABF – Asset Backed Finance, PL & RC – Personal loans & Ready Credit, SBL – Small Business Lending

Access to a large, affluent and profitable consumer franchise

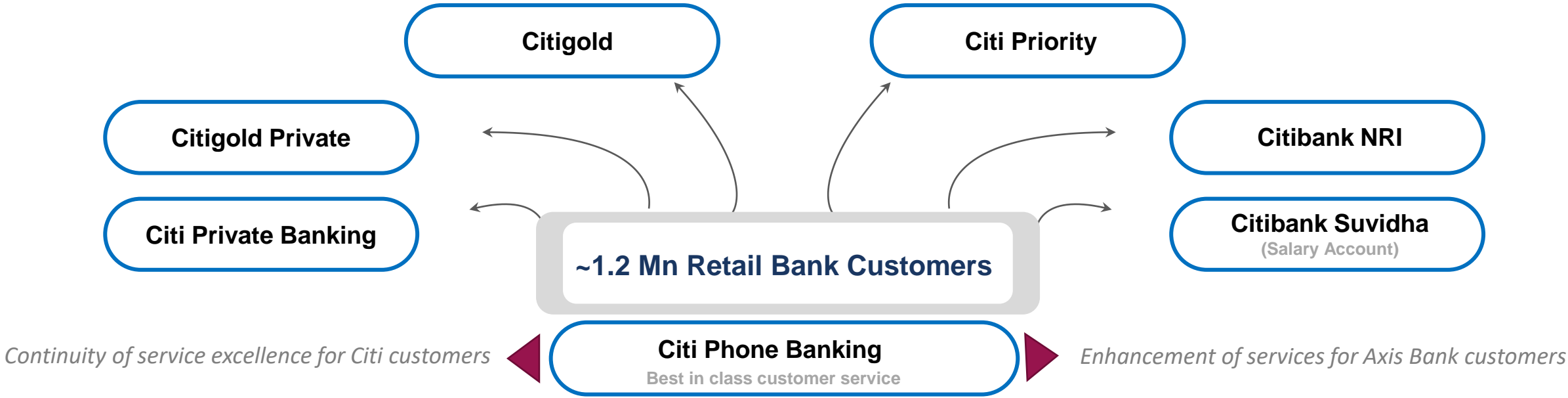


 **Innovative retail proposition** serving as an industry benchmark for quality customer centric approach

 **Highly attractive affluent customer base** (Citigold and Citi Priority relationship vintage > 10 years)

 80%+ of customers in the **attractive age group** (< 45 years) with high customer lifetime value

Differentiated value proposition across customer segments



Acquisition would enhance Axis Bank's ambition to expand its premium offerings

Complementary and strengthens our position to a top 3 Credit Card player in India



Highest no. of transactions per card across industry

Active & digitally engaged customers –strengthens Axis Bank’s position in top 8 metros

Opportunity to adopt **global best practices** in client servicing and operations

Boosts credit card franchise with quality base and **high vintage portfolio**

Customers would continue to avail all the rewards, privileges, and offers they were previously entitled to as Citi customers

	Axis Bank	+	Citi	=	Combined	
ENR (INR Bn)	155		89		244	↑ 57% Axis Bank amongst the Top 3 players
Outstanding Cards (INR Mn)	8.1		2.5		10.6	↑ 31% Healthy accretion to existing Card base
Annual Spend per Card (INR'000)	102 ⁽¹⁾		169 ⁽²⁾		119	↑ 17% Spend per card to increase by ~17%

Combination to help Axis Bank consolidate and gain meaningful share in the cards space along with addition of quality book

1) Source – RBI data for Jan-Dec 2021
2) Citi data for Jan-Dec 2021

Access to a sizable granular deposit base with deep corporate salary relationships



High proportion of CASA at 81% with SA constituting 73%

Affluent and digitally engaged SA customer base with access to 1600+ Suvidha corporates

Strategically located branches with high customer balance per account

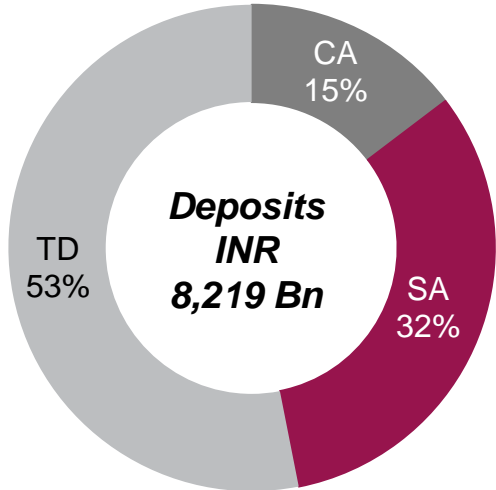
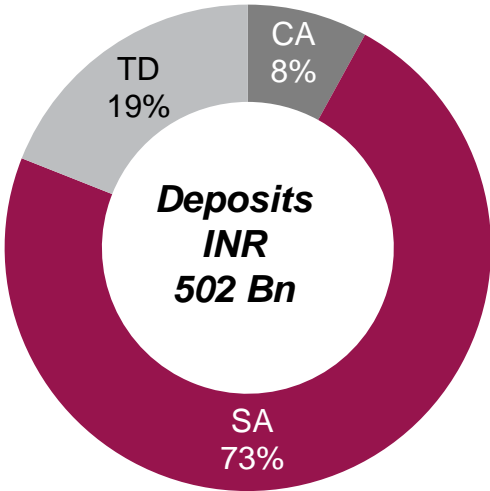
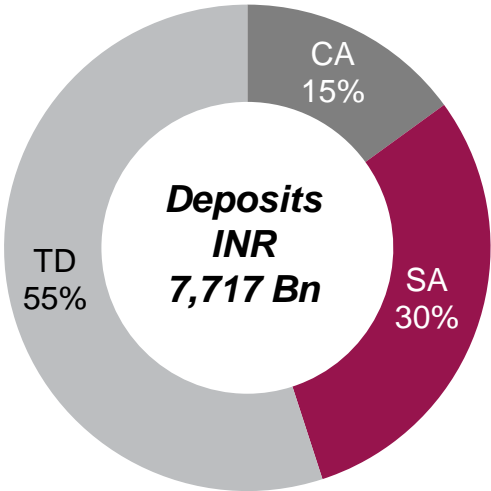
Strengthens Axis Bank's journey on CASA, LCR accretion

Axis Bank



Citi

Combined



Combined CASA ratio on proforma basis to improve by 200bps to 47%

* CA – Current Account, SA – Savings Account, TD – Term Deposits

Natural fit for our strong wealth management franchise to accelerate growth ambitions

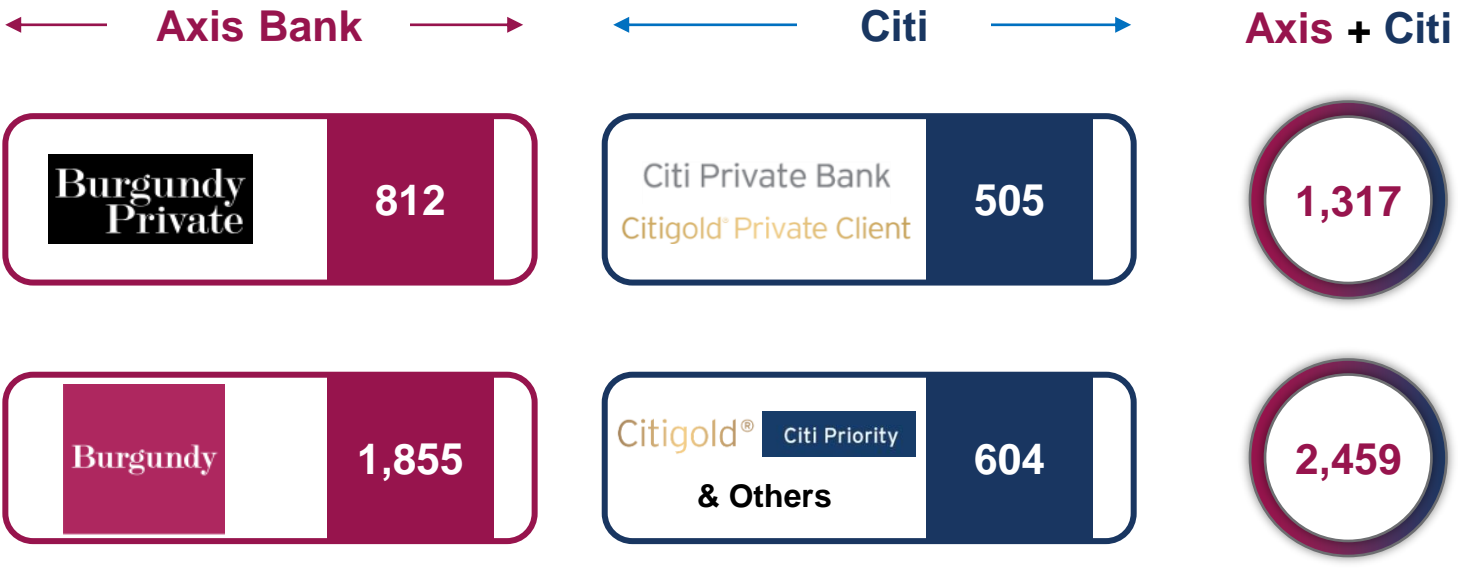


Ready access to highly affluent 40,000+ Wealth customers

42% addition to the overall Burgundy AUM, further strengthening existing franchise

Huge potential to cross sell Axis Bank's product offerings to Citi's affluent customer base

(AUM INR Bn)



3rd largest by combined AUM

62% addition to Burgundy Private AUM

42% addition to Total AUM

Citi's affluent clientele backed by global best practices in client servicing and operations to complement Axis Bank's Wealth Platform

Experienced leadership and diverse talent pool



Experienced team with deep domain expertise to add significant value



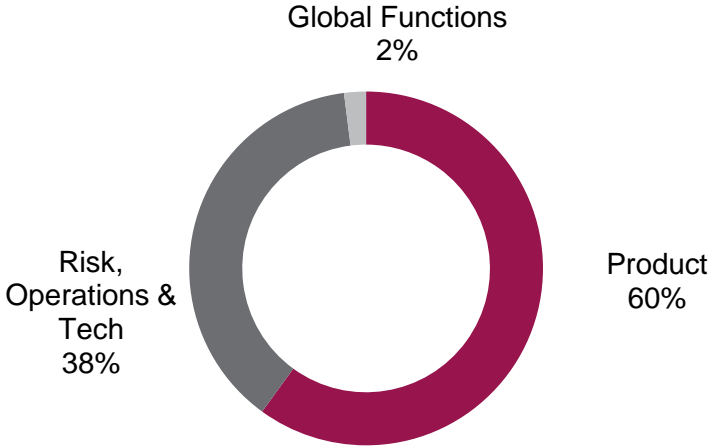
Employees trained in global best practices to enhance Axis Bank's processes



Favourable diversity ratio especially at senior levels

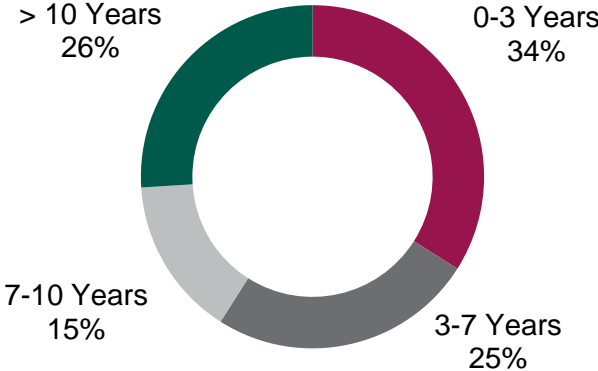
Competent employees with well rounded domain knowledge

Employees by Functions



Long standing team with wealth of experience

Tenure of Service



Access to a high-quality talent pool with culture and values aligned to Axis Bank

Significant potential for revenue and cost synergies



Revenue Synergies

Cross-sell Axis Bank's products to Citi customer base

Upsell to Citi's customer base

Attract NTB customers with a wider bouquet of products

Significant potential to increase revenue

Axis Bank
+
Citibank

Cost Synergies

Global shared services

Global oversight

Infrastructure, technology and others

Estimated cost savings of 30%-40% of Citi's operating expenses⁽¹⁾ to be realised under Axis Bank umbrella over 2 years post closing

The acquisition strengthens our market position and provides opportunity to accelerate retail business growth in a value accretive manner

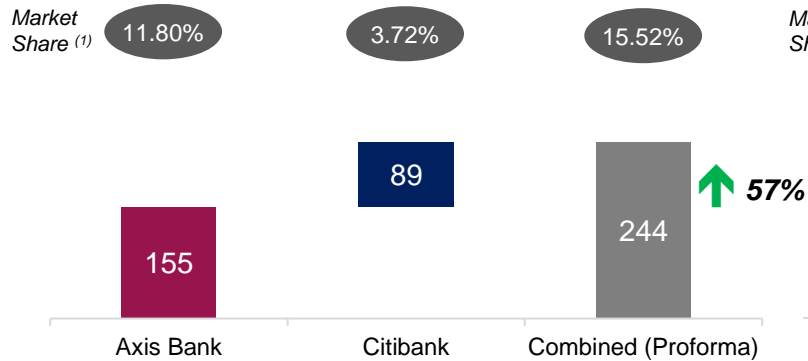
1) Basis CY2020 operating expenses for Citibank's India Consumer Business

Proforma Financial information

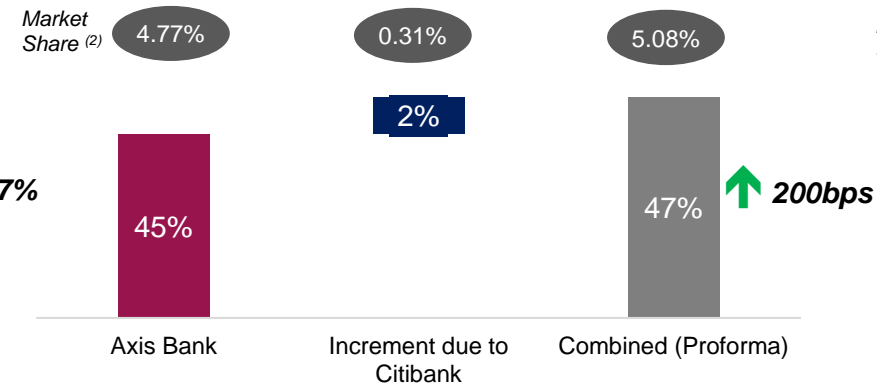


The acquisition provides a significant boost to key retail segments

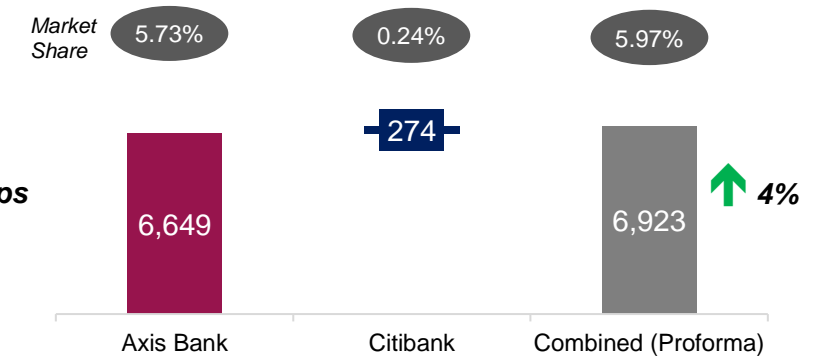
Credit Cards ENR (INR bn)



CASA Deposits (%)



Total Advances ENR (INR bn)

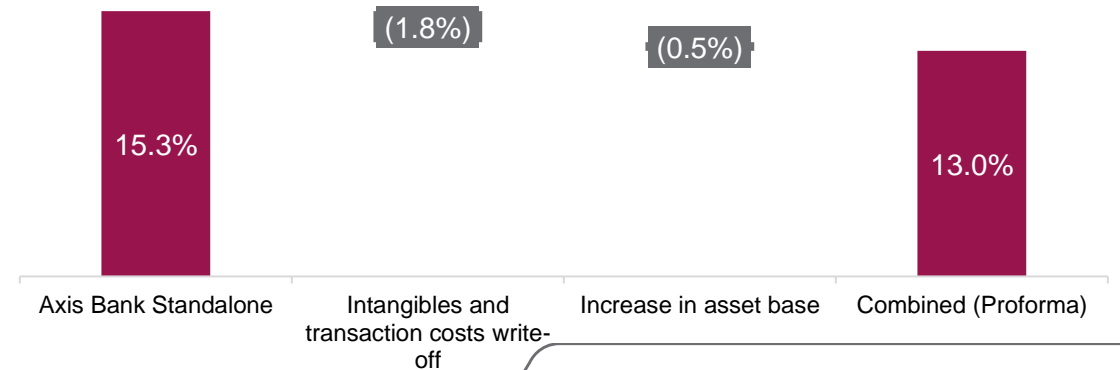


Wealth Management AUM (INR bn)



Impact on CET1 Ratio (Assuming no fund raise)

The bank's proforma CET1 ratio remains comfortably above the regulatory requirement



1) Based on cards in force as at end of Dec'21
 2) Overall deposits market share as of Dec'21

Robust normalized metrics for Citi India consumer businesses and competitive valuation



Standalone Citi Business proforma financials	Citibank ⁽¹⁾
Net Interest Income	2,086
Other Income	1,959
Net Revenue	4,045
Operating Expenses	(2,298) ⁽²⁾
PPOP	1,747
PAT <i>(Basis CY20 normalized standalone view)⁽¹⁾</i>	842^(2,3)

Standalone Citi Business key ratio's	Citibank ⁽¹⁾
Net Interest Income % ⁽⁶⁾	3.9%
Other Income % ⁽⁶⁾	3.6%
Cost to Assets % ⁽⁶⁾	4.3%
Return Ratios:	
ROA% ⁽⁶⁾	1.6%
ROE % ⁽⁷⁾	21.7%

Post Covid BAU normalization of Citi business estimated in CY24

ROE accretive to Axis Bank in CY24

One time charge on P&L in the FY 23 (assuming closing in FY 23) due to policy harmonization⁽⁵⁾ and intangibles on acquisition

Transaction Valuation Metrics (INR Cr.)

Purchase Consideration <i>(subject to customary and contractual adjustments)</i>	12,325
Add: Estimated Equity Requirement (@13% of RWA)	3,450
Implied Equity Value	15,775

Proposed Acquisition PAT	842
Implied P / E <i>(Basis CY20 normalized standalone view)⁽¹⁾</i>	18.7x
Estimated integration cost⁽⁴⁾ <i>(post tax impact over 2 financial years)</i>	1,500

Notes:

- For CY ending December 31, 2020
- Post elimination for certain identified group related charges ("Group Overhead Adjustment") assuming the business operates on a standalone basis, **but does not include any synergy benefits** under Axis umbrella
- Post normalization of net credit losses such that 2020A NCL/ANR and change in LLR/ANR equals to average of 2018A and 2019A level ("Covid Adjustment")
- Integration expenses includes transition services agreement expenses to be paid to Citigroup or its Affiliates and Axis Bank's own cost
- One time and over and above integration costs, **Axis policies are more prudent in some instances**
- As a % of end of period total assets including undeployed cash
- Calculated basis theoretical equity assuming CET 1 at 13% of Risk Weighted Assets (RWA)

Well planned out integration to ensure smooth transition



Transition Timeline



Signing of Definitive Agreements
(end Mar)

Transaction Closing

End of Transition

Pre-Closing Activities

- Regulatory approvals
- Customer consent
- Other identified actions

Transfer of Citi India Consumer Business' assets, liabilities, customers, and employees to Axis Bank, as going concerns, without values being assigned to individual assets and liabilities

Transition Services

- Citi to provide various services under the TSA to Axis Bank to support normal business operations

TSA Closure

Transfer of all customers, products, data and partner connections to Axis Bank's systems

Focused Execution to ensure seamless Integration

1 *Dedicated Integration Management Committee has been set up along with a working team*

2 *Integration team to focus on Systems, Personnel, Technology and Synergies*

3 *Integration team comprises of specialists with expertise in operationalizing large scale integration programs*

4 *Streamlined channels to ensure timely & active communication with all stakeholders*

5 *Ongoing close collaboration with Citi to ensure efficient transition and integration*

Dedicated team towards focused execution will ensure steady progress in Axis Bank's current transformation journey

Deal Support



	Axis Bank	Citibank
Financial Advisors	Axis Capital, Credit Suisse	Citi
Legal Advisors	Khaitan & Co.	Linklaters, Clifford Chance and AZB & Partners
Transaction Support	Boston Consulting Group, PricewaterhouseCoopers	Ernst & Young

Annexures

Glossary of Terms

(All numbers for Axis Bank and Citibank's Indian Consumer Banking Business are as at December 31, 2021 and June 30, 2021 respectively, unless specified otherwise)

ANR – Average Net Receivables	MN – Million Units
AUM – Assets Under Management	NCL – Net Credit Loss
BAU – Business As Usual	NPA – Non Performing Assets
BN – Billion Units	NTB – New To Bank
CAR – Capital Adequacy Ratio	PAT – Profit After Tax
CASA – Current Account Savings Account	PBT – Profit Before Tax
CET1 – Common Equity Tier 1	PE – Price to Earnings
CY – Calendar Year	PPOP – Pre Provision Operating Profit
ENR – Ending Net Receivables	ROA – Return on Assets
EPS – Earnings Per Share	ROE – Return on Equity
FY – Financial Year	TD – Time Deposits
INR – Indian Rupees	TSA – Transition Services Agreement
LCR – Liquidity Coverage Ratio	UHNI – Ultra High Net Worth Individuals
LLR – Loan Loss Reserve	USD – United States Dollar

Thank You

