MANAGEMENT'S DISCUSSION AND ANALYSIS

Macro-Economic Environment

After a period of intermittent volatility in global financial markets since early 2016, mainly due to heightened concerns of China's economic and financial vulnerability, global markets have reverted to a risk on environment, with increasing capital flows into Emerging Market (EM). This optimism was partially contributed by commodities prices having also gone up, with crude prices up 42% from the lowest levels in January 2016.

India's macro fundamentals remain robust, due both to the drop in commodities prices, particularly oil, but also the result of strong policy measures from the union government. The fundamentals compare favourably with most of India's EM peers. The current account deficit improved from 4.8% of GDP in FY13 down to an estimated less than 1.5% of GDP in FY16.

The Union Budget for FY17 also adhered to the announced path of consolidation, signalling a stance of fiscal rectitude, which has also improved offshore investor sentiment. The fiscal deficit of the union government has improved from 5.9% of GDP in FY12 down to 3.9% in FY16, and is budgeted at 3.5% in FY17. The Government's earlier policy reform initiatives to decontrol diesel prices and focus on moving towards a direct transfer to beneficiary model (especially for LPG etc.), has started yielding results and created space for coordinated stimulus with monetary policy.

However, given the various constraints due to balance sheet impairments etc., these measures still have not completely translated into improved economic activity. This also is due to the fall in export activity, weak agriculture on the back of two straight years of deficient rainfall. Thus rural demand has remained weak and all of this has served to offset the very modest industrial growth and services sector recovery.

Private sector capex remains weak due to continuing bottlenecks for many stranded projects, highly leveraged balance sheets and weak sales growth of corporates. Capacity utilization levels are still low, with RBI surveys indicating levels of 72.5%. Cash flows of companies have improved somewhat but interest coverage ratios still remain low. Again, NPA levels of the banking system remains high. Hence, all of these factors have contributed to weak economic activity witnessed so far. On corporate leverage the silver lining is that high debt is concentrated in only a few sectors, the balance sheets of the other segments and sectors remain relatively robust.

Credit growth from banks has improved slightly over the last few months of fiscal 2016 from lows of sub 10% to end fiscal year 2016 at 10.3%. With lower commodity prices and improved cash flows, demand for working capital has come down significantly. Moreover, with higher differentials of interest rates between banks and other intermediaries, there had been some diversion of credit demand away from banks towards other intermediaries for most part of fiscal 2016.

Prospects for Fiscal 2017

There are signs of a gradual recovery in economic activity in India, despite continuing headwinds from weak exports and the agriculture sector. However, global financial markets seem to have stabilised, even if transiently. The Rupee has remained stable, and foreign capital flows have started returning to India. Initial forecasts indicate normal or even better rains in 2016. This, together with the Centre's responsible fiscal stance, has increased room for RBI to further cut rates.

The order books of companies executing Government EPC and other contracts are witnessing inflows, indicating that manufacturing growth might show some recovery during FY17. Gross Value Added (GVA) growth is expected to improve from 7.4% in FY16 moderately to ~7.7% in FY17, with an upward bias if the monsoon is indeed normal. Most of the increase is likely to arise from higher consumption, with capex spends still likely to be moderate. Excluding impact of 7^{th} Pay Commission, CPI inflation is expected to average around 5.1% in FY17 (RBI estimate at ~5%), slightly higher than 4.9% in FY16.

Market liquidity conditions are likely to be better in FY17, especially due to the revised RBI Liquidity Management Framework. Given this outlook, credit offtake from banks is expected to increase modestly to ~11%, both due to higher capex requirement as well as banks gaining market share that they had lost to other market intermediaries.

Overview Of Financial Performance

Operating performance

(₹ in crores)

Particulars	2015-16	2014-15	% change
Net interest income	16,832.97	14,224.14	18.34
Non-interest income	9,371.46	8,365.04	12.03
Operative revenue	**26,204.43**	**22,589.18**	**16.00**
Operating expenses	10,100.82	9,203.74	9.75
Operating profit	**16,103.61**	**13,385.44**	**20.31**
Provisions and contingencies	3,709.86	2,328.61	59.32
Profit before tax	**12,393.75**	**11,056.83**	**12.09**
Provision for tax	4,170.09	3,699.01	12.74
Net profit	**8,223.66**	**7,357.82**	**11.77**

Net profit for the year ended 31 March, 2016 was ₹8,223.66 crores, increased by 11.77% over the net profit of ₹7,357.82 crores last year. Operating profit reported a healthy growth of 20.31% at ₹16,103.61 crores over the previous year mainly due to higher operating revenue growth of 16.00% compared to operating expenses growth of 9.75%.

Operating revenue over the same period increased by 16.00% to ₹26,204.43 crores driven by healthy growth in the Bank's core income streams: net interest income (NII) and fees. NII rose 18.34% from ₹14,224.14 crores in fiscal 2015 to ₹16,832.97 crores in fiscal 2016. Growth in Non-interest income consisting of fee, trading and other income was moderate at 12.03% from ₹8,365.04 crores in fiscal 2015 to ₹9,371.46 crores in fiscal 2016. Fee income increased by 0.67% from ₹6,778.98 crores in fiscal 2015 to ₹7,501.97 crores in fiscal 2016.

Growth in operating expenses was well controlled and rose 9.75% from ₹9,203.74 crores in fiscal 2015 to ₹10,100.82 crores in fiscal 2016. The key drivers of operating expense growth were increase in employee expense, administrative & occupancy cost and other expenses. Healthy operating revenues and moderate cost growth enabled the Bank's operating profit grow by 20.31% to ₹16,103.61 crores from ₹13,385.44 crores reported last year. Provisions and contingencies jumped 59.32% from ₹2,328.61 crores in fiscal 2015 to ₹3,709.86 crores in fiscal 2016. Consequently, profit before taxes grew by 12.09% to ₹12,393.75 crores and net profit increased by 11.77% to ₹8,223.66 crores from ₹7,357.82 crores last year.

Net interest income

(₹ in crores)

Particulars	2015-16	2014-15	% change
Interest on loans	30,040.56	25,867.82	16.13
Interest on investments	9,377.59	8,447.75	11.01
Other interest income	1,569.89	1,163.03	34.98
Interest income	**40,988.04**	**35,478.60**	**15.53**
Interest on deposits	18,540.21	17,136.81	8.19
Other interest expense	5,614.86	4,117.65	36.36
Interest expense	**24,155.07**	**21,254.46**	**13.65**
Net interest income	**16,832.97**	**14,224.14**	**18.34**
Average interest earning assets[1]	431,873	363,186	18.91
Average CASA[1]	122,989	107,328	14.59
Net interest margin	3.90%	3.92%	-

(₹ in crores)

Particulars	2015-16	2014-15	% change
Yield on assets	9.37%	9.63%	-
Yield on advances	10.10%	10.60%	-
Yield on investments	8.22%	8.13%	-
Cost of funds	5.94%	6.21%	-
Cost of deposits	6.01%	6.31%	-

[1]computed on daily average basis

NII constituted 64% of the operating revenue, and increased by 18.34% from ₹14,224.14 crores in fiscal 2015 to ₹16,832.97 crores in fiscal 2016. The increase is primarily due to an increase in average interest earning assets on a daily average basis by 18.91%, as NIM during the fiscal year 2016 was broadly stable at 3.90%. The NIM was largely stable, mainly due to the fact that the Bank's moderation in yield on earning assets of 26 basis points (bps) was matched by similar decline of 27 bps in cost of funds.

During this period, the yield on earning assets decreased from 9.63% last year to 9.37%. The yield on advances declined by 50 bps from 10.60% in fiscal 2015 to 10.10% in fiscal 2016 as the Bank reduced its Base Rate by 65 bps over the last fiscal year. Cost of funds also moderated by 27 bps from 6.21% in fiscal 2015 to 5.94% in fiscal 2016. The decline was primarily driven by moderation in the cost of term deposits and further aided by the Bank's continued focus on CASA. During the year, the cost of deposits decreased to 6.01% from 6.31% last year, primarily due to a decrease in cost of term deposits by 46 bps to 8.21% from 8.67% last year. During the year, CASA deposits, on a daily average basis, reported a healthy increase of 14.59% to ₹122,989 crores from ₹107,328 crores last year.

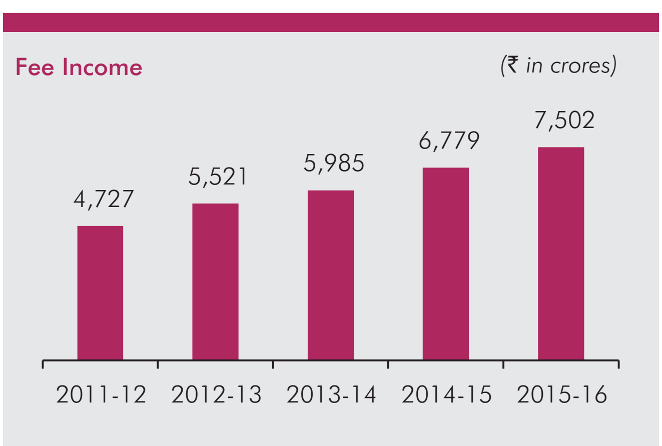
Non-interest income

(₹ in crores)

Particulars	2015-16	2014-15	% change
Fee income	7,501.97	6,778.98	10.67
Trading profit	1,246.91	1,134.94	9.87
Miscellaneous income	622.58	451.12	38.01
Non-interest income	**9,371.46**	**8,365.04**	**12.03**

Non-interest income comprising fees, trading profit and miscellaneous income increased by 12.03% to ₹9,371.46 crores in fiscal 2016 from ₹8,365.04 crores last year and constituted 36% of the operating revenue of the Bank.

The Bank earns fee income from a diverse set of products and businesses. The processing fees on retail assets, commissions on card spends, service charges on liability accounts, fee income from the distribution of third-party personal investment products are typically generated from retail banking businesses. While on the wholesale banking side fees are generated from client-based merchant foreign exchange trade, transaction banking (including cash management services), syndication and placement fees, processing fees from loans and commission on non-funded products (such as letters of credit and bank guarantees).



Fee income increased by 10.67% to ₹7,501.97 crores from ₹6,778.98 crores last year and continues to remain a significant part of the Bank's non-interest income. It constituted 80% of non-interest income and contributed 29% of operating revenue. Fee profile remains very well diversified with 40% from retail banking, 26% from corporate banking and balance contributed by treasury, transaction banking and SME segments. A key factor for the slower growth in fee income has been the slowdown in corporate banking fees due to lack of fresh new investments and projects being undertaken in the broader economy.

During the year, proprietary trading profits increased by 9.87% to ₹1,246.91 crores from ₹1,134.94 crores last year. This also includes gains of ₹118.58 crores compared to ₹84.49 crores in the last year, resulting from a partial stake sale in Max Life Insurance Company.

The Bank's miscellaneous income was higher at ₹622.58 crores compared to ₹451.12 crores, mainly due to higher dividends of ₹139.75 crores received from subsidiaries compared to ₹33.81 crores in the last year and ₹244.88 crores of higher exchange gains realised from repatriation of profits from the Bank's foreign branches, compared to ₹186.16 crores in the last year.

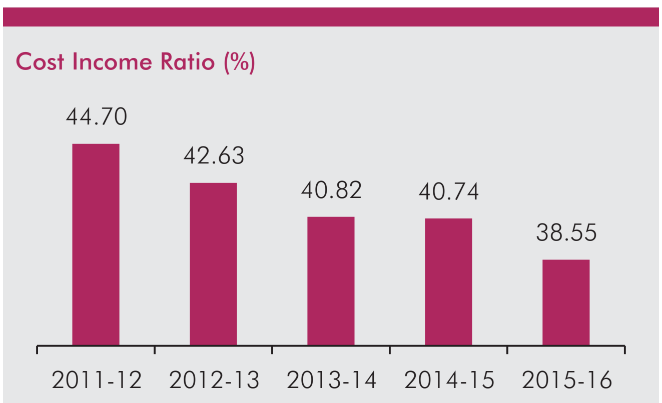
Operating revenue

The operating revenue of the Bank increased by 16.00% to ₹26,204.43 crores from ₹22,589.18 crores last year. The core income streams (NII and fees) now constitute 93% of the operating revenue, reflecting the stability of the Bank's earnings.

Operating expenses

(₹ in crores)

Particulars	2015-16	2014-15	% change
Staff cost	3,376.01	3,114.97	8.38
Depreciation	443.91	405.67	9.43
Other operating expenses	6,280.90	5,683.10	10.52
Operating expenses	**10,100.82**	**9,203.74**	**9.75**
Cost : Income Ratio	**38.55%**	**40.74%**	**-**



The Bank continued to focus on reducing transaction costs besides ensuring improvement in operations and productivity. The operating expenses increased by 9.75% to ₹10,100.82 crores from ₹9,203.74 crores last year. The increase in operating expenses was largely due to the growth of the Bank's network and other infrastructure required for supporting the existing and new businesses. The Cost to Income ratio of the Bank was 38.55% compared to 40.74% last year.

Staff cost increased by 8.38%, from ₹3,114.97 crores in fiscal 2015 to ₹3,376.01 crores in fiscal 2016. The increase was due to a combination of increase in average salary levels and headcounts over the period. Depreciation increased by 9.43%, from ₹405.67 crores in fiscal 2015 to ₹443.91 crores in fiscal 2016 primarily

Other operating expenses increased by 10.52%, from ₹5,683.10 crores in fiscal 2015 to ₹6,280.90 crores in fiscal 2016. The increase is primarily due to an increase in network expansion and expenses related to increase in general business volumes. The Bank added 315 new branches during fiscal 2016 compared to 187 branches in the previous year.

Operating profit

During the year, the operating profit of the Bank saw a healthy increase of 20.31% to ₹16,103.61 crores from ₹13,385.44 crores last year, mainly due to higher operating revenue growth of 16.00% compared to operating expenses growth of 9.75%.

Provisions and contingencies

(₹ in crores)

Particulars	2015-16	2014-15	% change
Provision for non-performing assets	3,800.46	1,788.61	112.48
Provision for restructured assets/strategic debt restructuring	(61.78)	(81.88)	-
Provision for standard assets including unhedged foreign currency exposure	388.62	423.88	(8.32)
Provision for depreciation in value of investments	84.01	(50.98)	-
Provision for other contingencies	(501.45)	248.98	-
Provisions and contingencies	**3,709.86**	**2,328.61**	**59.32**

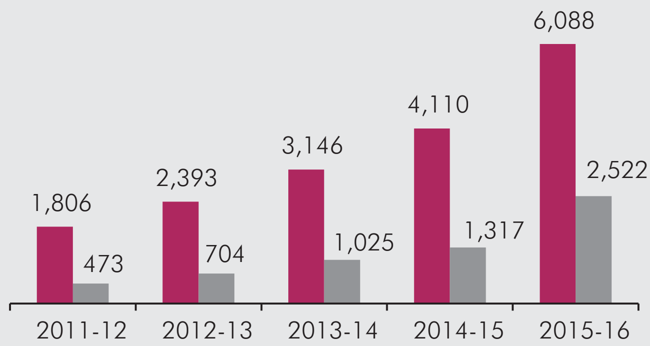
During fiscal 2016, the Bank created total provisions (excluding provisions for tax) of ₹3,709.86 crores compared to ₹2,328.61 crores last year. The Bank provided ₹3,800.46 crores towards non-performing assets compared to ₹1,788.61 crores last year and ₹388.62 crores towards provision for standard assets including unhedged foreign currency exposure compared to ₹423.88 crores last year. During the year, there was a write-back in provisions against restructured assets (net of provision for strategic debt restructuring) of ₹61.78 crores compared to a write-back of ₹81.88 crores last year.

The opening balance of contingent provision against advances and other exposures as at the beginning of the year was ₹1,000 crores. During the year, the Bank created contingent provision of ₹550 crores and also utilised contingent provision of ₹1,070 crores. As on 31 March, 2016, the Bank had outstanding contingent provision balance of ₹480 crores. Including the utilisation of contingent provisions, credit costs for fiscal 2016 stood at 111 bps. Excluding the utilisation of contingent provisions, credit costs for fiscal 2016 stood at 96 bps.

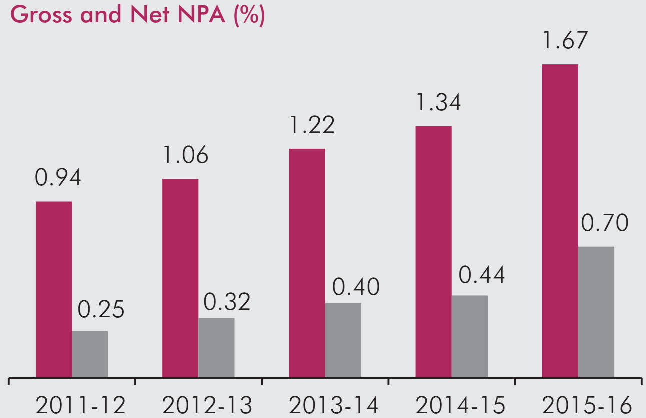
Asset Quality Parameters

During the year the Bank added ₹7,345 crores as fresh additions to gross NPAs and ₹5,300 crores to net NPAs after adjusting for recoveries and upgradations of ₹1,703 crores and ₹342 crores respectively. The Bank's ratio of Gross NPAs to gross customer assets stood at 1.67%, and Net NPA ratio (Net NPAs as percentage of net customer assets) at 0.70%. With higher levels of provisions built over and above regulatory norms during the year, the Bank's provision coverage stood at 72.27% after considering prudential write-offs.

Gross and Net NPA (₹ in crores)



Gross and Net NPA (%)



Further, addition to restructuring during the year was ₹2,267 crores, of which around ₹1,949 crores would be on account of shift in the Date of Commencement of Commercial Operations. The net restructured book stands at ₹8,072 crores and net restructured assets ratio (net restructured assets as percentage of net customer assets) was 2.25%. During the year slippages from the standard restructured book stood at ₹1,684 crores.

The book value of the assets sold by the Bank to ARCs during fiscal 2016 was ₹1,676 crores (net of provisions). The realisation consideration was settled in Security Receipts (SRs) worth ₹635 crores and cash realised worth ₹130 crores. There was net loss of ₹911 crores on such sale of which ₹826 crores was adjusted against the contingent provision balance.

Key Ratios

Particulars	2015-16	2014-15
Basic earnings per share (₹)	34.59	31.18
Diluted earnings per share (₹)	34.40	30.85
Book value per share (₹)	223.12	188.47
Return on equity (%)	17.49%	18.57%
Return on assets (%)	1.72%	1.83%
Net interest margin (%)	3.90%	3.92%
Profit per employee (₹ lacs)	17.83	17.07
Business per employee (₹ crores)	14.84	13.71
Credit/deposit ratio (Domestic)	81.71%	74.17%
Credit/deposit ratio (Global)	94.64%	87.17%

Basic Earnings Per Share (EPS) was ₹34.59 compared to ₹31.18 last year, while the Diluted Earnings Per Share was ₹34.40 compared to ₹30.85 last year. Return on Equity (RoE) was 17.49% compared to 18.57% last year, while Book Value Per Share was ₹223.12 compared to ₹188.47 last year. Return on Assets (RoA) was 1.72% compared to 1.83% last year. Employee productivity has also improved with Profit per Employee increasing to ₹17.83 lacs from ₹17.07 lacs last year and Business per Employee increasing to ₹14.84 crores from ₹13.71 crores last year.

Credit Deposit (CD) ratio of the Bank as on 31 March, 2016 was at 94.64% with a domestic CD ratio of 81.71%. There have been certain structural changes in the liability origination capability of Indian banks in the last few years. The conventional CD ratio if derived in isolation may not present the true picture. If Infrastructure Bonds are included as part of the Bank's Deposits base as these bonds are much more cost effective and asset liability management friendly than deposits of same maturity, the domestic CD ratio is at 79.75%.

Balance Sheet Parameters

Assets

(₹ in crores)

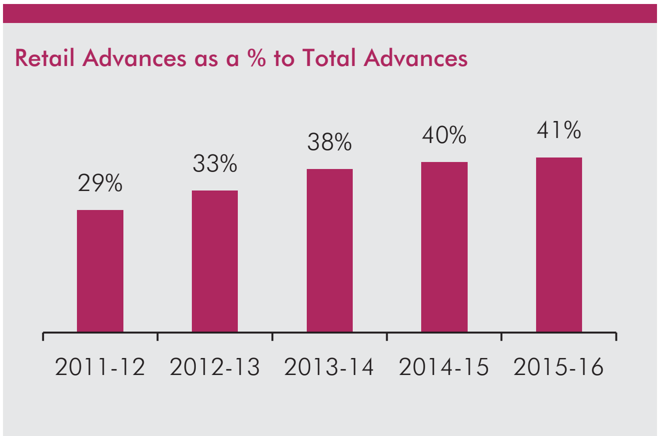
Particulars	2015-16	2014-15	% change
Cash and bank balances	33,326	36,099	(7.68)
Government securities	87,020	82,229	5.83
Other securities	34,986	35,321	(0.95)
Total investments	**122,006**	**117,550**	**3.79**
Corporate advances	155,384	127,644	21.73
SME advances	44,869	41,507	8.10
Retail advances	138,521	111,932	23.75
Total advances	**338,774**	**281,083**	**20.52**
Fixed assets	3,523	2,514	40.14
Other assets[1]	27,839	24,686	12.77
Total assets	**525,468**	**461,932**	**13.75**

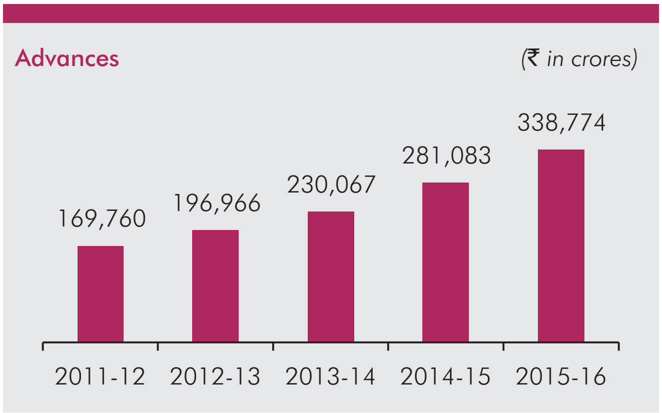
[1] includes Priority Sector Lending deposits of ₹16,659 crores (previous year ₹14,793 crores)

The Bank displayed healthy growth in several key balance sheet parameters for the year ended 31 March, 2016. Total assets increased by 13.75% to ₹525,468 crores from ₹461,932 crores as on 31 March, 2015.

Advances

Total advances of the Bank as on 31 March, 2016 increased by 20.52% to ₹338,774 crores from ₹281,083 crores as on 31 March 2015, due to a balanced growth across Corporate and Retail segments. Corporate advances comprised 46% of total loans and increased by 21.73% to ₹155,384 crores, Retail loans comprised 41% of total loans and increased by 23.75% to ₹138,521 crores, SME loans grew by 8.10% to ₹44,869 crores and constituted 13% of total loans.





The retail loans business continues to focus on secured products, predominantly mortgages. However, as indicated in the earlier years, the Bank continued its strategic intent to further diversify the retail loans mix during the year. Secured loan products accounted for 86% of retail loans. Home loans accounted for 45% of retail loans, retail agricultural loans accounted for 17%, loans against property 8%, personal loans and credit cards were 11% and auto loans 9%, while non-schematic loans comprising loan against deposits and other securities accounted for 10%.

The Bank's corporate advances portfolio grew by 21.73% during the fiscal year 2016. The growth has largely been on account of cost efficient refinancing opportunities for highly rated corporates, that are new relationship additions to the Bank's franchise.

Investments

The investment book of the Bank increased by 3.79% to ₹122,006 crores, of which investments in Government and approved securities, held mainly for SLR requirement, increased by 5.83% to ₹87,020 crores. Other investments, including corporate debt securities, decreased by 0.95% to ₹34,986 crores. 79% of the government securities have been classified in the HTM category, while 94% of the bonds and debentures portfolio has been classified in the AFS category. The modified duration as on 31 March, 2016 for the HTM, AFS and HFT portfolio stood at 6.18%, 3.02% and 2.60% respectively.

Liabilities and shareholder's funds

(₹ *in crores*)

Particulars	2015-16	2014-15	% change
Capital	477	474	0.63
Reserves and Surplus	52,688	44,202	19.20
Total shareholder's funds	**53,165**	**44,676**	**19.00**
Deposits	**357,968**	**322,442**	**11.02**
- Current account deposits	63,652	56,108	13.45
- Savings bank deposits	105,793	88,292	19.82
- CASA	**169,445**	**144,400**	**17.34**
- Retail term deposits	121,955	106,581	14.42
- Non-retail term deposits	66,568	71,461	(6.85)
- Total term deposits	**188,523**	**178,042**	**5.89**
Borrowings	**99,226**	**79,758**	**24.41**
- In India	37,908	27,631	37.19
- Infra bonds	8,705	5,705	52.59
- Outside India	61,318	52,127	17.63
Other liabilities and provision	15,109	15,056	0.35
Total liabilities and shareholder's funds	**525,468**	**461,932**	**13.75**

Deposits

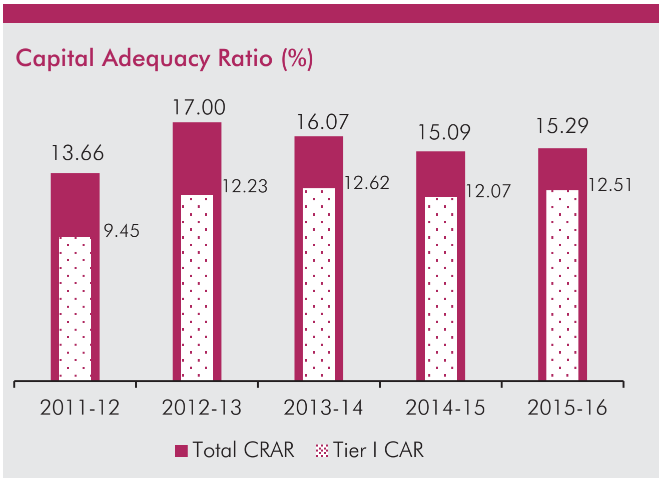
The total deposits of the Bank increased by 11.02% to ₹357,968 crores against ₹322,442 crores last year. Savings Bank deposits reported a strong growth of 19.82% to ₹105,793 crores, while Current Account deposits reported a healthy increase of 13.45% to ₹63,652 crores. The core component of Savings Accounts continues to grow strongly in terms of balances, customer acquisition, products per customer, cross sell etc. As on 31 March, 2016, low-cost CASA deposits increased by 17.34% to ₹169,445 crores from ₹144,400 crores last year, and constituted 47.34% of total deposits as compared to 44.78% last year. Savings Bank deposits on a daily average basis, increased by 13.97% to ₹82,849 crores, while Current Account deposits on a daily average basis reported a growth of 15.90% to ₹40,140 crores. The percentage share of CASA in total deposits, on a daily average basis, was at 39.87% compared to 39.53% last year.

The Bank's endeavour over the last few years has been to diversify its term deposit mix in favour of retail deposits. As on 31 March, 2016, the retail term deposits grew 14.42% and stood at ₹121,955 crores, constituting 64.69% of the total term deposits compared to 59.86% last year. As on 31 March, 2016, CASA and retail Term Deposits constituted 81.40% of total deposits. In accordance with RBI's guidelines on issuance of long term bonds for financing of infrastructure and affordable housing, the Bank successfully raised ₹3,000 crores of long term Infrastructure bonds during the year and as on 31 March, 2016. The outstanding balance in long term infrastructure bonds as on 31 March, 2016 was ₹8,705 crores.

Capital Management

The Bank strives for continual enhancement of shareholder value by efficiently using capital in order to maximise return on equity. Aiming to achieve this objective, the Bank endeavours to develop an asset structure that will be sensitive to the importance of increasing the proportion of low risk weighted assets. The Bank's capital management framework helps ensure an appropriate composition of capital and an optimal mix of businesses.

The Bank has implemented the Basel III capital regulation from 1 April, 2013 in India in a phased manner and is to be fully implemented as on 31 March, 2019. This will also align full implementation of Basel III in India closer to the internationally agreed date of 1 January, 2019.



During the year, RBI made certain amendments which included rationalisation of the risk weights and LTV ratios for individual housing loans. RBI, among other changes, also made changes to treatment of deferred tax assets in calculation of CET1. These measures along with other amendments improved total CAR by approximately 30 basis points during fiscal 2016.

Accordingly, the Bank has computed Capital Adequacy Ratio (CAR) as on 31 March, 2016 in terms of regulatory guidelines on Basel III, wherein the capital charge for operational risk is computed under the Basic Indicator Approach and the capital charge for credit and market risk is computed under the Standardised Approach. As on 31 March, 2016, the Bank's CAR under Basel III was 15.29% against the minimum regulatory requirement of 9.625%. Of this, the Common Equity Tier I (CET I) CAR was 12.48% (against minimum regulatory requirement of 6.125%) and Tier I CAR was 12.51% (against minimum regulatory requirement of 7%). As on 31 March, 2016, the Bank's Tier II CAR under Basel III was 2.78%. The capital adequacy ratio of the Bank computed under Basel III as on 31 March, 2015 was 15.09% with CET I and Tier I CAR of 12.07% and Tier II CAR of 3.02%.

The following table sets forth the capital, risk-weighted assets and capital adequacy ratios computed as on 31 March, 2016 and 31 March, 2015 in accordance with the applicable RBI guidelines under Basel III.

(₹ *in crores*)

Particulars	2015-16	2014-15
Tier I capital	50,517.51	41,680.96
Tier II capitall		
Out of which	11,231.79	10,423.85
- Tier II capital instruments	9,293.21	8,950.42
- Other eligible for Tier II capital	1,938.58	1,473.43
Total capital qualifying for computation of capital adequacy ratio	61,749.30	52,104.81
Total risk-weighted assets and contingencies	403,949.18	345,200.44
Total capital adequacy ratio		
Out of above	15.29%	15.09%
- Common equity tier I capital ratio	12.48%	12.07%
- Tier I capital ratio	12.51%	12.07%
- Tier II capital ratio	2.78%	3.02%

Business Overview

An overview of the Bank's various business segments along with their performance during financial year 2015-16 and future strategies is presented below.

Retail Banking

The Retail Banking segment continues to be a key driver of the Bank's overall growth strategy. It encompasses a wide array of products and services across deposits, loans, investments and payment solutions which are delivered through multiple channels to the Bank's customers. The Bank has over the years developed long-term relationships with its customers by being their preferred financial solutions partner on account of its excellent customer delivery through insights and superior services. The Bank has also succeeded in making banking simple for masses by smart use of technology. The Bank has always focused on meeting the financial needs of its customers by providing high quality products and services through regular customer engagement in convenient manner. Axis Bank continues to be one of the strongest financial services brands in the country. This year, the Bank was awarded the title of 'Superbrand 2014-15' by Superbrands and No.1 promising banking brand of 2015 by ET Best Brands 2015.

Retail Deposits

The Bank pursues an effective customer segmentation strategy and has over the years built a sustainable retail deposit franchise. During the year, the Bank continued to focus on increasing its retail deposits base, particularly demand deposits. Savings Bank deposits crossed ₹ One lac crores and have grown at a Compounded Annual Growth Rate (CAGR) of 21% over the last five years. As on 31 March, 2016, the Bank had over 172 lac savings account customers, registering a growth of 15%.

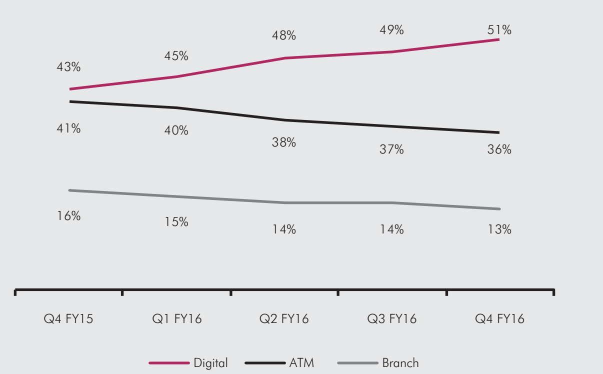
Technology & Digital Banking

Technology has been the predominant focus for retail banking during the year. The Bank launched a series of smart, secure and safe features across its various banking products. During the year the Bank launched INSTA Personal Loan facility where eligible customers can avail pre-approved loan amounts credited to their accounts instantly using this facility from ATMs, Axis Mobile App and Internet banking platforms. The Bank also launched Digital and Mobile Account Opening facility during the year, which let consumers open savings account on the go. The new process available on Axis Bank mobile app, Axis Bank mobile site and website makes opening a bank account as simple as online shopping. Customer can smoothly checkout by paying the initial funding amount through net banking or debit card, fix an appointment for delivery of their Banking Kit and get an instant account number. The Bank was the first Indian bank to enable its Mobile Banking customers to seamlessly transact with Apple's 'Touch ID'. Bank customers using Apple iPhone 5s and above can now complete their financial transactions such as bill payments, mobile recharge and funds transfer using this feature. Once the customer's fingerprint is set up on the Axis Mobile app, they can authenticate subsequent financial transactions by either using Touch ID or their mPIN. The Bank also launched its banking application for Apple Watch.

Technology is bringing us closer to the Bank's customers' needs. The use of analytics is central to most of the Bank's retail businesses. This has helped us build richer customer profiles, gauge customer needs more accurately and make targeted offerings through their preferred channel, whether it is Branch, ATM, Internet or Mobile Banking.

During the year the Bank launched **LIME** – India's first Mobile App integrating Wallet, Shopping, Payments and Banking. **LIME** has already crossed 13 lac downloads since launch. **LIME** was awarded the prestigious Banking Frontiers' FINNOVITI Award 2016. **'Ping Pay'** was India's first multi social application by the Bank used for peer-to-peer transfer of money/recharges through IMPS functionality using social media such as Whatsapp, Facebook, Twitter, Email and SMS. **'Ping Pay'** has created a strong brand recall among customers and has strengthened the social presence of Axis Bank as a forerunner of digital banking products. During the year, **'Ping Pay'** emerged as the winner of the Digital Channel Category, at the Financial Insights Innovation Awards (FIIA) 2016.

% Transaction Trend for past 5 Quarters



The Bank continues to see strong momentum towards the adoption of digital channels by customers. Electronic channels now contribute 87% of all customer induced transactions in the Bank's retail base. The internet and mobile banking platforms of the Bank continue to be a strong proposition providing customers the ease of transacting real time from the comfort of their home or office while ensuring security. The Bank's Internet Banking user base is growing at 23% and transaction volumes are growing at 17% YoY. The Bank has successfully rolled out Internet Banking Version 2.0 to all customers for faster and better navigation, along with richer consumer experience and ease of operation. The new platform provides enhanced features such as universal menu, set favourite transactions and view scheduled transactions in the calendar. The Bank continues to focus on driving mobile banking usage. The Mobile Application further continued its growth with close to 25 lac users generating a monthly transaction value of over ₹54,932 crores. The transaction volumes on Axis Mobile have increased almost 4.35 times over last year, outpacing every other channel by a wide margin. In order to promote self-service, Axis customers are now empowered to open/close Fixed and Recurring Deposits, enable auto-debit payment on credit cards, convert credit card transactions into EMI, book a car test ride and perform a host of other useful activities. During the year bank launched an online Locker booking facility through the Mobile App. This industry first initiative empowers customers to check availability and book safety lockers in nearby branches through the Axis Mobile App. As a testimony to Bank's digital efforts, Forrester rated Axis Bank's Mobile App as the best Mobile Banking App in India. The Bank's mobile App was adjudicated Mobile Banking initiative of the year – India at the Asian Banking and Finance (ABF) Retail Banking Awards.

Investment Products

The Bank distributes investment products such as mutual funds, Bancassurance products (Life, Health and General Insurance) and online trading products through its branches. The Bank is one of the leading banking distributors of mutual funds in India and distributes mutual fund products of all major asset management companies. The fee income from this segment contributed around 10% to the total Retail Banking fees. These investment products are sold through the Bank's branch distribution network based on thorough analysis of customers' life-cycle and lifestyle requirements. For the Life Insurance distribution, the Bank distributes products of Max Life Insurance Company. Since the Bank's strategic bancassurance tie-up with Max Life Insurance Company in 2010, the Bank has successfully helped insure over 8 lac lives through its distribution channels. In General Insurance, the Bank has a tie-up with Tata AIG (American International Group) and during the year sold more than 3 lac policies and collected ₹219 crores of premiums which is 7% over last year. The Bank is on a constant look out to find new avenues to service its customers and increase the pie of its distribution fee income. Over the past few years, it has been observed that there is exponential rise in the cost of healthcare and the need for customized and affordable health insurance solutions. With the objective of ensuring the health and well-being of the Bank's customers, the Bank recently entered into a Bancassurance partnership for health insurance with Apollo Munich, which will help the Bank further expand its existing bouquet of offerings and put forth a compelling proposition to the clients. With the onset of new Open Architecture regime from 1 April, 2016 for sale of Insurance products, the Bank remains committed to bring the best of insurance products which best suit the needs of its customers.

The Bank offers online trading services to its customers in collaboration with Axis Securities Ltd. (a 100% subsidiary of the Bank) under the name Axis Direct - an enhanced and simplified online trading platform. During the year, the Bank opened more than 3 lac online trading accounts, and in the process crossed 1 million total customers count.

NRI & Affluent Segments

NRI Banking and Burgundy are two strong propositions for the Bank's esteemed clients. The Bank offers a complete suite of banking and investment products under its NRI Services for Indians living and working overseas. As on 31 March, 2016, the Bank's aggregate NRI deposits (Savings Bank + Term Deposits) stood at ₹43,425 crores registering a year-on-year growth of 6%. During the year, the Bank introduced the industry's first initiative to enhance customer experience for Burgundy customers. This initiative allows customers to view their entire liability (current, savings, term and recurring deposits), asset (loans, overdrafts etc), investment (demat, mutual funds, alternate investments), insurance (life and general) and Card (debit, credit and multi-currency) relationship with the Bank through a single statement. During the year, a Premium Savings Accounts for Foreign Nationals of Non-Indian Origin were also launched. The new Burgundy & Priority Foreign Nationals account variants are commensurate with the customer income levels and offer enhanced relationship and lifestyle privileges. NRIs are known to travel to India frequently and with an objective to provide an offering commensurate to their expectations and relationship size, complimentary airport transfer service was launched for Burgundy & Priority NRI customers. The Bank also launched NetSecure enabled display debit cards aimed at enhancing the NRI customers' Internet Banking experience. The first of its kind NRE Debit Card has an e-paper panel to display the NetSecure code on the Debit Card itself, thereby negating the dependency on SMS, Mobile or Web based token. The card comes with enhanced features and benefits relevant to the NRI segment.

Retail Lending & Payments

The three main elements of the Bank's strategy on the retail lending and payments businesses for the financial year 2015-16 continue to be Cross-sell to internal customers, growth in the rural lending and retail payments franchises. The Bank's cross sell metrics have been steadily improving, which is substantiated by strong retail asset growth, retail fee income growth and distribution income from investment and insurance products. Product penetration into the Bank's strong SA base continues to be a major driver for growth. Big data analytics led targeting of the known retail customer for sales of unsecured lending, cards or other payment products continues to be core to the Bank's franchise building in this space. Overall, more than 50% of incremental retail loans were sourced through branches. Existing deposit customers contributed about two-third of the incremental retail loans. The credit quality of retail loans has remained steady.

Retail Loans

This was yet another strong year for the Bank where the retail loan growth considerably outpaced the industry average growth rate. The Retail Assets portfolio has grown at a Compounded Annual Growth Rate (CAGR) of 31% over the last five years. The Bank continued to increase its share of retail loans to total advances which stood at 41% compared to 29% in March 2012. Including SME loans that qualify as regulatory retail, the share of retail loans to total loans would be 54%. Regulatory retail within SME relates to collateralised lending to very small sized SME clients and small business clients.

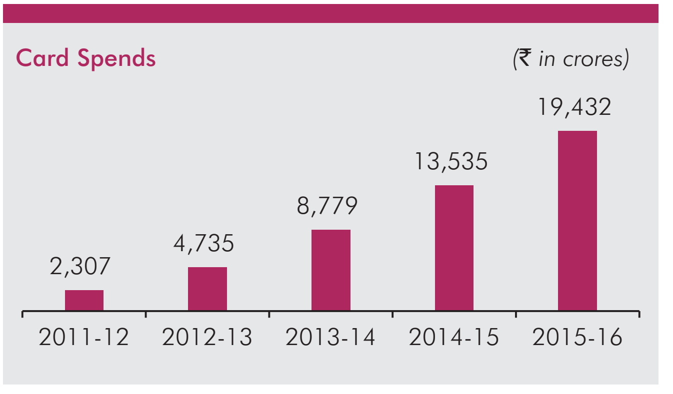
The retail loans portfolio continues to be focused on secured products, predominantly mortgages. Secured loan products accounted for 86% of retail loans, of which Home loans accounted for 45%, retail agricultural loans accounted for 17%, auto loans 9%, loans against property 8%, personal loans and credit cards were 11%, while non-schematic loans comprising loan against deposits and other securities accounted for 10%.

Despite a subdued property market in fiscal 2016, the Home Loan industry grew well at around 18%. The Bank's Home Loan book size grew by 10%. Lending rates moderated across the industry, with all major lenders offering Home loans closer to their base rate. Despite a general slowdown in the market, there has been strong demand across various micro markets. With the introduction of the Real Estate Regulation authority, there would be more transparency in the industry which is positive for future real estate growth in the country.

Technology remains an important enabler for the Bank's loan products. During the year, Super Saver Home Loan was launched where customer can park his short term funds and save interest on his loan to the extent of excess funds parked. The Bank also launched a pre-approved Auto Loan. Rural agricultural lending was another focus area for the Bank. The Bank launched Rural & Semi Urban (RUSU) Home loans, a Home loan product specifically for Rural and Semi-Urban customer. As on 31 March, 2016, the Bank's outstanding loans in the agricultural sector grew at a healthy 29% to ₹23,218 crores from ₹17,960 crores last year. Increasing urbanization and demographic pressure that the country witnessed over past decades have made housing a major issue for discussion, especially in the low income and economically weaker segments. Challenge is to provide housing to these people who have very limited financial options at their disposal. Hence as a part of financial inclusion, The Bank has launched a product called Asha Home loan especially to cater this segment. With Government of India launching its 'Housing for All by 2022' mission LIG/EWS, Asha Home loans will help this particular segment aspire to own their dream house. Asha Home loans increased by 201% from ₹628 crores as on 31 March, 2015 to ₹1,891 crores as on 31 March, 2016.

Payments

The retail payments franchise remains central to the Bank's overall retail strategy, as it is mutually beneficial for the customer and the Bank. The customer benefits from the cutting edge processes and services offered and in turn prefer to transact more as the trust and convenience factor builds up leading to more business opportunities for the Bank. The Bank is one of the largest debit card issuers in the country, with a base of over 155 lacs. The Bank had over 24 lac credit cards in force as of 31 March, 2016, making it the 4th largest credit card issuer in the country. The credit cards portfolio saw a substantial increase in spends by 44%, to ₹19,432 crores from ₹13,535 crores last year. The Bank is also one of the largest acquirers of point-of-sale terminals in the country with an installed base of around 3 lacs. In addition to introducing contactless Debit, Credit and Multi Currency Forex cards, the Bank also enabled almost 50,000 merchant terminals for Near Field Communication (NFC) based card acceptance during the year. During the year, the Bank launched **Total Control** - a first of its kind platform which allows all Debit Card customers to customize their cards as per their usage preferences. Functionalities cover features such as Limit Modification, Blocking, Switch on/off, Enabling/Disabling International Usage. The Bank also went live on DCC (Dynamic Currency conversion) for Cleartrip, the second largest online travel operator in the country. E-commerce continues to be on a strong growth trajectory. The Bank achieved 54% YoY growth in volumes from E-commerce merchants with ₹6,927 crores spend in FY16 against ₹4,504 crores in FY15. The Bank is also now live with its in-house Payment gateway which can accept Visa & Mastercard products; Rupay & Maestro are in certification process.



Overseas Branches, Forex & Remittances

The Bank is permitted to carry out retail banking business through its overseas branches in Colombo and Hong Kong as well as in London through its subsidiary Axis Bank UK Ltd. The Bank offers remittances facility to NRI customers through the Bank's Colombo & Hong Kong branches and Axis Bank UK Ltd., for remittances to India. Axis Bank UK Ltd. has also launched a convenient mobile application for NRIs in UK to send money instantly to India. Additionally, the Bank offers remittances from GCC region to Sri Lanka through tie-up with 4 Exchange Houses.

The Bank offers a range of forex and remittances products to its retail customers, which include travel currency cards, inward and outward wire transfers, traveller's cheques, and foreign currency notes, remittance facilities through online portal as well as through collaboration with correspondent banks, exchange houses and money transfer operators. The Bank continued to have a market leadership position in Travel Currency Cards with 16 currency options other than INR being offered. Additionally, the Bank offers a Multi-Currency Forex Card, aimed at frequent travellers to multiple countries. The aggregate load value on travel currency cards crossed USD 6.5 billion during the year. The year also saw the launch of Paywave, a contactless variant of the Multi-Currency Forex Card, an industry first for a Forex Card in India. With focus on increasing the adoption of Forex Card in new geographies, Travel Currency Card has also been launched on Discover Network which provides a more convenient alternative to currency for travellers to countries like China, Korea and Japan. Travel Currency Card has also been enabled in Axis Mobile to provide a host of facilities to the Travel Currency Card and Multi-Currency Card customers, including instant reload of the card from their linked savings accounts.

The Bank continues to increase the number of geographies from which NRIs can send money to India with the extension of AxisRemit Online to 3 new geographies in this fiscal year, bringing the total number of originating geographies to 10. The Bank has launched, Axis Forex Online, a revolutionary online portal for resident Indians, including non-Axis account holders, to seamlessly send outward remittances as well as purchase retail forex products, including Travel Currency Cards and Multi-Currency Forex Cards. The volumes of retail remittances also rose by 21%* during the year and the Bank processed outward remittances of over USD 2 billion and inward remittances of around USD 6 billion.

* excluding the volumes attributable to partner bank deposits

Loyalty Rewards

eDGE Loyalty Rewards program is a Bank-wide loyalty program that rewards customers across their saving account, credit card, debit card, current account, loans and forex relationships. During the year, the Bank extended eDGE reward points on Axis Direct transactions. **'Only One'** Campaign continues to be the monthly attraction where customers can redeem a limited stock item with only one eDGE reward point every month. Points plus cash was introduced enabling customers to redeem products using a combination of their points and cash. Redemption of points at merchant outlets is now available and customers can now gift their points with the 'Transfer of Points' functionality. Axis Bank eDGE Loyalty Rewards Program has yet again won the award for Champion of Champions - Best Loyalty/CRM Program of the Year at 9th Loyalty Summit which is the most prestigious Loyalty Forum in the country.

Financial Inclusion

The Bank regards Financial Inclusion (FI) as an integral component of its rural strategy to further extend its reach in the rural market. The Bank's FI initiatives maintained momentum this year with the Bank opening around 6 lac basic savings bank accounts through its branches and Business Correspondents (BC) network. As of 31 March, 2016, Bank's FI customer base is being serviced through a network of 587 rural branches and more than 31,300 BC agents spread over 3,272 villages. As a manifestation of the Bank's efforts, the Bank was selected as the Best Private Sector Bank under the category Rural Reach at the Dun & Bradstreet Banking Awards 2015. The bank launched micro ATMs at its branches for facilitating Aadhar based and biometric based transactions. The Bank further consolidated its position in remittance business – both G2C (Government to Consumer) payments and C2C (Customer to Customer) transfers, disbursing close to ₹146 crores of G2C payments and more than ₹7,404 crores of domestic money transfers through 218 lac C2C remittance transactions during 2015-2016. The Bank has actively participated in the Pradhan Mantri Jan Dhan Yojana (PMJDY) and successfully covered the Sub Service Areas (SSA) and Wards allocated to the Bank with the help of its branches and Business Correspondents. Till date the Bank has opened over 5 Lac accounts with a balance of over ₹82 crores and 92% of the customers have been issued Rupay Cards. The Bank has also been active in the social security space and has issued around 8 lacs Pradhan Mantri Suraksha Bima Yojana (PMSBY) and 2 lac Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) policies. The bank takes special care to ensure that the hitherto financially excluded customers do not have any problem in their claim process. The bank also actively promotes Atal Pension Yojana for its eligible customers and has enrolled 32,471 customers till March 2016.

Branch & ATM Network

The Bank's organically built branch network over the last twenty plus years has helped it to strategically lay down one of the best pan India branch distribution networks. During the year, the Bank added 315 branches and its geographical reach extends to 29 states and 6 Union Territories, covering 1,855 centres and 608 districts. As on 31 March, 2016, the Bank had a network 2,904 branches/ ECs as compared to 2,589 last year. Around 20% of the Bank's branches are in rural areas and 74% of the Bank's rural branches are in unbanked locations. As on 31 March, 2016, the Bank had 12,743 ATMs. The Bank has also deployed 1,181 Automated Deposit Machines (for cash deposits into customer accounts) and has extended this facility for 24x7 availability in certain branches, which have integrated self-service lobbies. Axis Bank was the first private sector Bank to introduce recyclers and first bank in India to have 1000+ recyclers which can accept and dispense cash. As on 31 March, 2016, the Bank had deployed 1,146 recyclers. Besides the Branch and ATM network, Internet banking, mobile banking and phone banking platforms have also evolved as an important electronic channel for the Bank.

Service Quality

The Bank continued its focus on Service Quality by ensuring superior service delivery to customers with improvement seen in almost all service metrics. Special programs were created to impact the service culture and impact areas like turn-around times to customer queries, first time right, complaints and escalations. Overall complaint ratio for the Bank has reduced from 1.83 (per thousand accounts) in fiscal 2015 to 1.75 in fiscal 2016. The Customer Advocacy and Retention program was introduced this year with an objective to capture instant feedback from customers post their transactions.

Corporate Banking

The corporate banking space in India is recovering from its own set of challenges. The issues at hand on the corporate side range from excess capacities in many sectors to increase in leverage on corporate balance sheets. Resolving the asset quality issues remain a top priority for the Government and the Regulator to get back to a sustainable economic growth path. Asset quality recovery is linked to how the economy turns around and it will happen gradually but the silver lining stems from the fact that, while the high debt is concentrated in only a few sectors, the balance sheets of the other segments and sectors remain relatively robust. However, despite these challenges the private sector banks have continued to gain market share by delivering above industry growth rates. This trend is likely to continue in the near future; however the preference is for a much healthier and well capitalized banking sector for overall swifter revival in the country's economic growth.

Certain policy initiatives taken by the Government during the year has resulted in a minor uptick in the execution of the existing projects which were stalled due to various policy and regulatory constraints. Reserve Bank of India also introduced certain guidelines more popularly known as 5/25 which enables long term financing of projects by Banks. However, the results of these initiatives are yet to materialize fully and the demand and delivery of credit is yet to witness a healthy uptrend.

Now, focusing on the Bank's strategies, the corporate client relationship model introduced in earlier years has been further entrenched. The Bank continued its focus on transactional business comprising of trade finance, cash management, remittances etc. and has further strengthened its processes and controls apart from investing in technology platforms to enable seamless transaction experience on digital channels introduced by the Bank for its corporate clients. This has enabled an increase in the Bank's wallet share in a wide range of banking products with its corporate customers.

The Bank's corporate advances portfolio grew by 22% during the fiscal year 2016. The growth has been on account of cost efficient financing provided to highly rated corporates, with strong group financials, that are new relationship additions to the Bank's franchise. Given that the focus remains on highly rated corporates, approximately 79% of new sanctions in the corporate book are to companies rated 'A' and above. Presently, 62% of outstanding corporate loans are to companies rated 'A' and above. Also, the Bank's strategy of sectoral approach to credit continued where the focus was on identifying sector-specific opportunities and risks. Industry, group and company specific exposure limits have been defined by the Bank and continuous monitoring is undertaken with a view to identify risk and take proactive decisions to mitigate them. Portfolio diversification is also ensured through the sectoral credit approach.

The Bank has disclosed a watch list of ₹22,628 crores which is assessed to be the key pool of potential future stress in the corporate lending book over the next two years. Iron and Steel and Power sectors comprise 47% of this list. The Bank would maintain adequate provision coverage levels and also build up its contingent provision buffers.

The Bank has been cautious in its lending practices, especially in the last three years by focussing on higher rated corporates. However, due to the significant price and demand correction witnessed globally in the metal and minerals sector, the outlook for the sector remains cautious. A major proportion of the Bank's these exposures relate to large integrated players with stronger balance sheets that are better equipped to meet the challenges currently witnessed by the sector. More recently price volatility across commodities appears to have stabilized and suggests mild recovery prospects.

The Bank has maintained its leadership position in the loan syndication market and syndicated an aggregate amount of ₹22,613 crores (previous year ₹15,930 crores) by way of rupee loans and USD 1.93 billion (previous year USD 1.55 billion) of foreign currency loan during the year 2015-16.

Treasury

The Bank's Treasury business comprises Asset Liability Management (ALM), Correspondent banking activitiy, Foreign exchange and derivatives trading, bullion business, Investments in SLR and Non-SLR securities, and arranger ship business.

The ALM group manages the regulatory requirements of CRR, SLR and Liquidity Coverage Ratio (LCR). The group also manages the liquidity, interest rate and currency risks in the Bank's portfolio, under the guidance of the Asset Liability Committee (ALCO) of the Bank. ALM is responsible for overall liquidity management of the domestic book and longer term liquidity management of the overseas branches across geographies.

The Global Financial Institutions Division (GFID) within Treasury focuses on developing and maintaining business relationships with Financial Institutions (FIs) across the globe and holds the primary responsibility for developing various business opportunities emanating from such relationship. The Group facilitates institutional fund raising and cross-border trade finance business with specific focus on inbound trade and payments flows into India. GFID forges long term strategic ties with identified Banks/ FIs in areas ranging from corporate referrals, payments, trade finance to lending solutions. The Bank has taken steps to enhance the overall FI Proposition including Vostro and ACU Accounts, and Client Experience through initiatives like transaction automation, dedicated operations support and customer service support.

Forex Trading Group - Global Markets, is a major participant in the Foreign Exchange and Derivatives market. The Bank has established itself as one of the leading banks providing foreign exchange and derivative solutions to its clients. The Bank has been awarded the First Rank Amongst Asian Corporate Respondents" in eleven categories by Euromoney in their FX Survey 2015. The Bank is amongst the leading bullion banks in India and has been awarded the "Best Bank for Gold Dealings" by Indian Bullion and Jewellers Association Limited. Customer Derivative Business of the Bank has emerged as a key business group providing risk management and hedging solutions to the Bank's wide range of Corporate Customers and Financial Institutions. The Bank is a key market player in providing Currency Options, Swaps and Interest Rate Derivative Products to corporates.

Investment, ALM & Capital Market (IAC) group within Treasury plays an important role of participating in primary auctions of RBI, proprietary trading in Govt. securities, Corporate bonds, Money market instruments and Equity.

The Bank continues to remain a dominant player in the Debt Capital Market (DCM) Segment. During the year, the Bank arranged ₹124,136 crores of bonds and debentures for various PSUs and corporates. The Bank has been ranked number one in the Bloomberg Official League Table for domestic bonds in India for calendar year 2015 and also ranked number one arranger as per Prime Database for the nine months ended December 2015. During the year, the Bank was awarded "Best Debt House in India" by Euromoney, "Best DCM House – India" by Finance Asia, "Best Domestic Debt House – India" and "Best Domestic Bank – India" by Asiamoney. Also, during the year the Bank was awarded by The Asset Benchmark Research as "Top Bank in the secondary market, Corporate Bonds, Rank 1" and "Investors Choice for primary issues in Asian currency bonds"

Transaction Banking

A new business unit 'Transaction Banking' was formed in April 2015 to focus on the flow businesses within Corporate Banking, i.e. current accounts, collection & payments solutions, forex, trade services and capital market solutions. This restructuring was done to enable the Bank to offer a seamless experience to its customers, for all their requirements through a dedicated relationship manager supported by a customer service team. The key financial deliverables of the business are current account float balances and fee income.

Current account balances grew from ₹56,108 crores as on 31 March, 2015 to ₹63,652 crores as on 31 March, 2016, a year on year growth of 13%. Daily average balances in current accounts grew 16%, from ₹34,634 crores in fiscal 2015 to ₹40,140 crores in fiscal 2016. The trade scenario for the economy remained depressed with decline in both imports and exports for several months in a row.

The key themes that the business has been focusing on are deepening share of wallet for existing clients, offer digital solutions to customers and enhance customer service. The relationship managers and branches are continuously equipped with analytical tools and learning interventions to help cross-sell the large suite of transaction banking products to customers. The Bank also launched mobile apps for the entire gamut of transaction banking requirements, including payments, forex rate bookings and trade finance transactions. A comprehensive capability enhancement programme was undertaken to enable the Bank to enhance the footprint of B Category branches (branches authorized to handle forex business) from 214 at the beginning of the year to 475 as at the end of the year. The Bank has also taken various steps to strengthen internal controls and adhere to emerging regulatory requirements.

Lending to Small and Medium Enterprises

Axis Bank plays an important role in supporting the Small and Medium Enterprise (SME) businesses across the nation. The SME business of the Bank comprises of three business groups: Medium Enterprises (MEG), Small Enterprises (SEG) and Supply Chain Finance (SCF) which as on 31 March, 2016 comprised 40%, 46% and 14% of total SME advances respectively. The Bank extends working capital, term loan, trade finance and project finance facilities to SMEs for their various financing needs.

The wide range of fast-track and customized products available in the Bank's product suite ensure that customers get adequate finance best suited for their businesses. During FY16, various products and process changes were implemented. "SME Dealer Power" launched during FY16 offers comprehensive financing facility to the dealers of various companies in the country for efficient management of working capital and other business requirements. Another newly launched product "Exim Power" offers financing facilities to SMEs engaged in export/import activities and showcase Bank's commitment towards "Make in India" initiative. The Bank has also adopted an industrial cluster based financing as an important strategy towards ensuring manufacturing credit flow in SME sector. As part of this initiative, important clusters have been identified across various sectors and awareness has been created within the Bank's teams to focus more on these identified clusters in the coming years.

The Bank continues to support SMEs not only through innovative financial products but also by extending non-financial services to grow their business. Last year, the bank had initiated a road show series titled "Evolve" for capacity building of SMEs which attracted lot of appreciation from the participants. This year also, "Evolve" was conducted on a bigger platform covering more number of cities and thus educating larger audience in the SME segment. This capacity building initiative is also a unique step towards further facilitating and contributing to the 'Make in India' initiative.

The SME portfolio of the Bank constituted 13% of the Bank's total advances as on 31 March, 2016 and grew by 8% to ₹44,869 crores from ₹41,507 crores last year. The SME asset quality trend remains healthy as the Bank's strategy to focus on better rated customers has held up well. Around 84% of the outstanding loans continue to remain within the category SME 1 to SME 3. The Bank continues its emphasis on improving the capabilities to mitigate the risk in the existing and new loan portfolio by continuously upgrading and refining the various parameters and variables used to build the early warning risk models.

The SME Business continues to focus towards lending to the Priority sector (PSL) and is a significant contributor to the Bank's overall PSL portfolio. Special initiatives have been undertaken during fiscal 2016 to promote lending to the Priority Sector which includes product and marketing initiatives. Currently Bank operates from 51 SME Centres and 9 SME Cells, across the country to service customers effectively covering around more than 1,500 branches.

As on 31 March, 2016, the Bank has achieved its overall priority sector lending requirements.

International Banking

The International Banking strategy of the Bank continues to revolve around leveraging its relations with corporates in India and Non-resident Indians, while providing banking solutions at overseas centres. The Bank, through its international operations, leverages the skills and strengths built in its domestic operations. It also widens the horizon of the product offerings covering a varied spectrum of corporate and retail banking solutions across client segments in various geographies. The Bank has established its presence at strategic international financial hubs in seven countries. The global landscape of the Bank consists of five branches at Singapore, Hong Kong, Dubai International Financial Centre (DIFC) – UAE, Colombo (Sri Lanka) and Shanghai (China); three representative offices at Dubai, Abu Dhabi (both in UAE) and Dhaka (Bangladesh); and an overseas banking subsidiary in the United Kingdom. The representative office at Dhaka was inaugurated during the current financial year.

The Bank continues to offer corporate banking, trade finance, treasury and risk management solutions through the branches at Singapore, Hong Kong, DIFC, Shanghai and Colombo, and also retail liability products from its branches at Hong Kong and Colombo. Further, the Bank's Gulf Co-operation Council (GCC) initiatives in the form of representative offices in Dubai and Abu Dhabi, and alliances with banks and exchange houses in the Middle East provide support for leveraging the business opportunities emanating from the large NRI diaspora present in these countries. Through the Representative Office at Dhaka, the Bank aims to promote its trade finance business arising between Bangladesh and India & other Asian financial markets where Bank has presence. Secondary market risk participations, pertaining to Bangladeshi banks, being presently done by the foreign branches of the Bank, will also be captured at the primary level itself enabling the Bank to move up the value chain and enhance its risk return.

Given the uncertainties in global economies coupled with decline in Indian international trade, the Bank focussed on consolidating the operations at overseas branches and managing the risks in international operations. Emphasis continued towards trade finance business and value added services. As on 31 March, 2016, the total assets at overseas branches stood at USD 8.06 billion as compared to USD 7.86 billion last year. Axis Bank UK Limited, the Bank's overseas banking subsidiary, completed its third year of operations during the year under review and its total assets stood at USD 662 million as against USD 431 million as on 31 March, 2015.

Stressed Assets Group (SAG)

The prolonged slowdown in the economy has resulted in significant stress build up for the Indian corporate banking segment. The Bank has also witnessed higher slippages in the last few years. The Bank's SAG is a specialised vertical responsible for efficient resolution of non-retail impairments of the Bank. The Group has three Regional Recovery Cells at Delhi, Kolkata and Chennai apart from the Central Office team in Mumbai catering to the Western part of the country. The Bank takes legal recourse for recovery process by filing suits in the Debt Recovery Tribunal (DRT) apart from proceeding under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act). Sale of assets to Asset Reconstruction Companies and One Time Settlement options are also exercised from time to time. The current judicial and recovery infrastructure have its own set of challenges which at times delay the entire recovery process. However, the Bank remains hopeful that the proposed Bankruptcy Code will go a long way to help in removing these impediments in the ensuing future.

Risk Management

The risk management objective of the Bank is to balance the trade-off between risk and return, and ensure that the Bank operates within the Board approved risk appetite statement. An independent risk management function ensures that the risk is managed through a risk management architecture as well as through policies and processes approved by the Board of Directors encompassing independent identification, measurement and management of risks across the various businesses of the Bank. The risk management function in the Bank strives to proactively anticipate vulnerabilities at the transaction as well as at the portfolio level, through quantitative or qualitative examination of the embedded risks. The Bank continued to focus on refining and improving its risk measurement systems including automation of processes wherever feasible not only to ensure compliance with regulatory requirements, but also to ensure better risk-adjusted return and optimal capital utilisation, keeping in view its business objectives. Pursuant to review of the risk profile of the Bank, the Board has not come across any element of risk which would threaten the existence of the Bank.

The overall risk appetite and philosophy of the Bank is defined by its Board of Directors. The Risk Appetite framework provides guidance to the management on the desired level of risk for various types of risks in the long term and helps steer critical portfolio decisions. Further, the Internal Capital Adequacy Assessment Process (ICAAP) of the Bank assesses all the significant risks associated with various businesses. The independent risk management structure within the Bank is responsible for managing the credit risk, market risk, liquidity risk, operational risk, other Pillar II risks like reputational risk and strategic risk and exercising oversight on risks associated with subsidiaries. The risk management processes are guided by well-defined policies appropriate for the various risk categories viz. credit risk, market risk, operational risk, liquidity risk, counterparty risk, country risk, reputational risk, strategic risk and subsidiaries risk, supplemented by periodic validations of the methods used and monitoring through the sub-committees of the Board. The Risk Management Committee (RMC), a committee constituted by the Board, approves policies related to risk and reviews various aspects of risk arising from the businesses undertaken by the Bank. The Committee of Directors (COD) and the Audit Committee of the Board (ACB) supervises certain functions and operations of the Bank, which ultimately enhances the risk and control governance framework within the Bank. Various senior management credit and investment committees, Credit Risk Management Committee (CRMC), Asset-Liability Committee (ALCO), Operational Risk Management Committee (ORMC), Subsidiaries Risk Management Committee (SRMC), Reputation Risk Management Committee (RRMC) and Business Continuity Management Committee (BCMC) operate within the broad policy framework of the Bank.

Credit Risk

Credit risk is the risk of financial loss if a client, issuer of securities that the Bank holds or any other counterparty fails to meet its contractual obligations. Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor. The goal of credit risk management focuses on risk-adjusted rate of return on capital, targeted asset quality and management of the credit risk inherent in individual exposures as well as at the portfolio level. The emphasis is placed both on evaluation and management of risk at the individual exposures and analysis of the portfolio behaviour.

The Bank has structured and standardised credit approval processes, including a well-established procedure of comprehensive credit appraisal. Every extension of credit facility or material change of a credit facility to any counterparty requires credit approval at the appropriate authority level. Internal risk rating remains the foundation of the credit assessment process, which provides standardisation and objectivity to the process. All sanctioning processes including the delegation of powers are linked to the ratings and the sizes of the exposure. The monitoring frequency applicable to the exposure also depends on the rating of the exposure. Individual borrower exposure ceilings linked to the internal rating and sector specific caps are laid down in the Credit Policy to avoid concentration risk. For the retail portfolio including small businesses and small agriculture borrowers, the Bank uses different product-specific scorecards. Both credit and market risk expertise are combined to manage risks arising out of traded credit products such as bonds and market related off-balance sheet transactions. Model validation is carried out periodically by objectively assessing its discriminatory power, calibration accuracy and stability of ratings both by the Risk Department as well as independently by a Validation Committee.

The Bank continuously monitors portfolio concentrations by segment, borrower, groups, industry and geography, where applicable. The portfolio level delinquency matrices are tracked at frequent intervals with focus on detection of early warning signals of stress. Key sectors are analysed in detail to suggest strategies for business, considering both risks and opportunities. Such analysis is reviewed by the Credit Risk Management Committee to arrive at the appropriate industry ceilings as well as define the origination and account management strategy for the sector. The Risk Management Committee of the Board periodically reviews the impact of the plausible stress scenarios covering inter alia increased regulatory prescriptions on provisioning requirements, rating downgrades, or drop in the asset values in case of secured exposures etc. on the portfolio. The portfolio level risk analytics provide insight into the capital allocation required to absorb unexpected losses at a defined confidence level.

Market Risk

Market risk is the risk of losses in 'on and off-balance sheet' positions arising from the movements in market price as well as the volatilities of those changes, which may impact the Bank's earnings and capital. The risk may pertain to interest rate related instruments (interest rate risk), equities (equity price risk) and foreign exchange rate risk (currency risk). Market Risk for the Bank emanates from its trading and investment activities, which are undertaken both for the customers and on a proprietary basis. The Bank adopts a comprehensive approach to market risk management for its banking book as well as its trading book for both its domestic and overseas operations. The market risk management framework of the Bank provides necessary inputs regarding the extent of market risk exposures, the performance of portfolios vis-à-vis the market risk limits and comparable benchmarks which provides guidance to the business in optimizing the risk-adjusted rate of return of the Bank's trading and investment portfolio.

Market risk management is guided by well laid down policies, guidelines, processes and systems for the identification, measurement, monitoring and reporting of exposures against various risk limits set in accordance with the risk appetite of the Bank. Treasury Mid-Office independently monitors the Bank's investment and trading portfolio in terms of risk limits stipulated in the Market Risk Management Policy and reports deviations, if any, to the appropriate authorities as laid down in the policy. The Bank utilises both statistical as well as non-statistical measures for the market risk management of its trading and investment portfolios. The statistical measures include Value at Risk (VaR), stress tests, back tests and scenario analysis while position limits, marked-to-market (MTM), stop-loss limits, trigger limits, gaps and sensitivities (duration, PVBP, option greeks) are used as non-statistical measures of market risk management.

Historical data calculated at a 99% confidence level for a one-day holding period over a simulation and its variants are used to compute VaR for the trading portfolio time horizon of 250 days. VaR models for different portfolios are back-tested on an ongoing basis and the results are used to maintain and improve the efficacy of the model. VaR measurements are supplemented with a series of stress tests and sensitivity analyses as per a well laid out stress testing framework.

Liquidity Risk

Liquidity is a bank's capacity to fund increase in assets and meet both expected and unexpected cash and collateral obligations at reasonable cost and without incurring unacceptable losses. Liquidity risk is the inability of a bank to meet such obligations as they become due, without adversely affecting the bank's financial condition. The Asset Liability Management Policy of the Bank stipulates a broad framework for liquidity risk management to ensure that the Bank is in a position to meet its liquidity obligations as well as to withstand a period of liquidity stress from bank-level factors, market-wide factors or a combination of both.

The liquidity profile of the Bank is monitored for both domestic as well as overseas operations on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios and conduct of liquidity stress tests periodically. The Bank has laid down liquidity risk policies for its overseas branches in line with host country regulations and the asset-liability management framework as stipulated for domestic operations. Periodical liquidity positions and liquidity stress results of overseas branches are reviewed by the Bank's ALCO.

The Bank has integrated into the asset liability management framework the liquidity risk management guidelines issued by RBI pursuant to the Basel III framework on liquidity standards. These include the intraday liquidity management and the Liquidity Coverage Ratio (LCR). The Bank maintains the regulatory mandated LCR as per the transitional arrangement laid down by RBI and also ensures adherence to RBI guidelines on monitoring and management of liquidity including liquidity ratios.

Operational Risk

Operational risks may emanate from inadequate and/or missing controls in internal processes, people and systems or from external events or a combination of all the four. The Bank has in place an Operational Risk Management (ORM) Policy to manage the operational risk in an effective, efficient and proactive manner. The policy aims at assessing and measuring the magnitude of risks, monitoring and mitigating them through well-defined framework and governance structure.

The RMC at the apex level is the policy making body and is supported by the Operational Risk Management Committee (ORMC), responsible for the implementation of the Operational Risk framework of the Bank and the management of operational risks across the Bank. A sub-committee of the ORMC, Sub-ORMC has been constituted to assist the ORMC in discharging its functions.

All new products and processes, as well as changes in existing products and processes are subjected to risk evaluation by the Bank's Product Management Committee and Change Management Committee. Outsourcing arrangements are examined and approved by the Bank's Outsourcing Committee. The IT Security Committee of the Bank provides directions for mitigating operational risk in the information systems. The Bank has set up a comprehensive Operational Risk Measurement System (ORMS) for documenting, assessing, and periodic monitoring of various risks and controls linked to various processes through the implementation of a software solution.

The Business Continuity Management Committee (BCMC) exercises oversight on the implementation of the approved Business Continuity Plan (BCP) framework which has been put in place to ensure continuity of service to its large customer base. The effectiveness of the approved Business Continuity Plan (BCP) framework is tested for all identified critical internal activities to ensure readiness to meet various contingency scenarios. The learning from the BCP exercises are used as inputs to further refine the framework.

Information Technology

The IT team of the Bank in partnership with its trusted and experienced vendors has been instrumental in making the innovations and aspirations of high quality digital products and services from the various businesses and other operations teams a reality. The sheer quality and quantity of awards received by the Bank in this space substantiates the consistent improvement in performance. The Bank has launched some unique products and processes this year like LIME, 24X7 instant Personal Loan, new tablet based Loan Origination System, various branch automation projects, FxConnect Mobile for its corporate customers.

Harnessing the technology wave in Banking, Axis Bank has undertaken various technology driven business initiatives that reinforce the Bank's commitment to making banking simple and hassle-free for its customers. The Bank has focused on providing customers a seamless digital payment and banking experience. LIME's digital platform has been at the forefront of the digital innovation initiatives from Axis Bank. The inception phase of LIME focuses on easy peer-to-peer payments, seamless shopping and payments experience, end-to-end digital banking platform and simple personal finance management tools with tailored insights. LIME has helped the bank to capture a huge customer base outside its existing customer base.

A new tablet based Loan Origination system has been developed to digitize the entire lending process of MicroFinance business. The application includes different modules for on-boarding of villages by conducting village surveys, on-boarding of applicants, conducting group trainings and tests, and complete the disbursement. The tablet application is integrated with the bank's underwriting hub for real time approvals/rejections based on bureau checks and underwriting rules. Tablet and desktop based new workflow has been designed as a part of the mobility initiatives for Rural Lending.

Various branch automation projects have helped the Bank maximize utilization of the branch footprint with improved staff productivity, reduced errors, and improved customer experience. The Bank has centralized its account opening process to achieve economies of scale and reduce logistics costs and time taken in shipping documents to a central location. Single uniform imaging based workflow solution for CASA account opening was implemented.

The Bank launched FxConnect Mobile to provide constant connectivity to forex market to its corporate customers enabling them to track the market and cover transactions on the go. The app consumes Reuters API to provide seamless live rate streaming and instant deal booking. The Bank has also implemented Credit Processing System (CPS), a complete Loan Management System designed to assist the Bank in automating its lending process from loan origination, verification, sanctioning to pre & post-disbursement activities. CPS provides immense operational advantages of automating a high volume credit origination and appraisal segment such as retail and small and medium enterprises (SME) as well as the corporate segment. The web based platform allows Axis Bank users to keep a close watch on the overall quality of the portfolio.

The Bank has implemented all the recommendations of the RBI Working Group issued on 29 April, 2011 as applicable, related to Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds. The Bank is committed to implementing the recommendations in letter and spirit to strengthen the security posture of the Bank and to provide safe and secure banking services to its customers. As a part of this, various security solutions have been deployed to protect customer data and prevent external and internal attacks. In addition to compliance with the ISO 27001 standards of information security management, the Bank has also complied with the Payment Card industry Data Security Standards (PCI DSS) for card acquiring infrastructure to protect card related data.

Compliance

The Bank is committed to adhere to the highest standards of compliance vis-à-vis regulatory prescriptions and internal guidelines. The Compliance function plays a crucial role in ensuring that the overall business of the Bank is conducted in accordance with regulatory prescriptions. The Compliance function facilitates improvement in compliance culture within the Bank through various enablers like dissemination of regulatory changes and percolation of compliance knowledge through training, newsletters, e-learning initiatives and other means of communication apart from direct interaction. To ensure that all the businesses of the Bank are operating within the ambit of Compliance Framework, the Compliance Department is involved in vetting all new products and processes. It evaluates the adequacy of internal controls and examines the systemic correction required, based on its analysis and interpretation of the regulatory doctrine and the deviations observed during compliance monitoring and testing programme. It also ensures that internal policies address the regulatory requirements comprehensively. The Audit Committee of the Board reviews the performance of the Compliance Department and the status of compliance with regulatory guidelines on a periodic basis.

As the focal point of contact with RBI and other regulatory entities, the Compliance Department periodically apprises both the Bank's management as well as the Board of Directors on the status of compliance in the Bank and the changes in regulatory environment. The Bank has put in place an Enterprise-wide Governance Risk and Compliance Framework, an online tool, which is pivotal in addressing operational, compliance and financial reporting risk, bringing efficiency in processes and improvement in compliance levels besides facilitating annual assessment of said risks. The Compliance Department also propagates and monitors a Group Compliance approach encompassing the Bank and its subsidiaries.

Internal Audit

The Bank's Internal Audit function provides an independent assurance to its Board of Directors and Senior Management on the quality and effectiveness of its internal controls, risk management systems, governance systems and processes on an on-going basis. This is to ensure that the audited units comply with both internal and regulatory guidelines. In line with the RBI's guidelines on Risk Based Internal Audit (RBIA), the Bank has adopted a robust audit policy. The policy has a well-defined architecture for conducting RBIA across all audit entities. The audit policy drives for a concerted focus on strategic and emerging business risks. This forms a key step in the identification of individual audits for the audit planning exercise. The audit frequencies are in sync with the risk profile of each unit to be audited. This is in alignment with guidelines relating to RBIA. The scope of RBIA includes examining the adequacy and effectiveness of internal control systems, external compliances and also evaluates the risk residing at the audit entities. Further to augment the internal audit function, concurrent audit, thematic audits and integrated audit reviews have been integrated into the internal audit function to make the function more robust. The RBIA has been designed taking into account regulatory guidelines and also international best practices.

The Internal Audit independently functions under the supervision of Audit Committee of the Board, thereby ensuring its independence. The Board reviews the efficacy of the internal audit function, effectiveness of controls laid down by the Bank and compliance with regulatory guidelines. This is in alignment with the best global practices on corporate governance.

Corporate Social Responsibility (CSR)

The Bank's primary CSR philosophy rests on a purpose-driven approach to create a meaningful and measurable positive impact on the lives of economically, physically and socially challenged communities of the country by supporting initiatives aimed at creating conditions suitable for sustainable livelihood in these communities. A multi-pronged approach is adopted by the Bank for its CSR agenda, which is also intertwined with the Bank's sustainability agenda of creating enduring value for all its stakeholders. The Bank, through Axis Bank Foundation, supports the sustainable livelihoods program. Financial Inclusion and Literacy is one of the key national priorities and the Bank leverages its pan India presence to reduce inequalities faced by socially and economically backward groups. The Bank supports MSME sector development through knowledge sharing programs and undertakes skill development programs for youth to equip them with employable skills for better opportunities. Environmental sustainability is another key focus area for the Bank's CSR agenda and the Bank undertakes various environmental sustainability projects and community engagement programs.

The Bank has put in place a 'Policy on Corporate Social Responsibility' to strategically guide its efforts in the area of CSR and the same is hosted on the Bank's website www.axisbank.com. The CSR activities are pursued through various initiatives undertaken by the Bank or through Axis Bank Foundation (ABF) or through any other Trust or agencies and entities as deemed suitable. The Bank leverages its geographical spread to undertake such initiatives.

The prescribed CSR expenditure for the Bank for 2015-16 in terms of the Section 135 of the Companies Act, 2013 and Rules framed thereunder was ₹163.03 crores, against which the Bank has spent ₹137.41 crores [including contibution of ₹73.58 crores to Axis Bank Foundation (ABF)] towards various CSR initiatives as compared to actual CSR expenditure of ₹123.22 crores for 2014-15. The details of initiatives taken by the Bank on CSR during the year as per annexure attached to the Companies (Corporate Social Responsibility Policy) Rules, 2014 are given in Annexure V of the Directors' Report.

Set up as a Public Charitable Trust in 2006, Axis Bank Foundation (ABF) is the Corporate Social Responsibility (CSR) arm of Axis Bank Ltd. It complements the activities being carried out by the Bank under CSR with sharper focus on areas responsible for creating sustainable Livelihood. Partnering with close to 100 NGOs across the length and breadth of the country, ABF has impacted over 8 lac beneficiaries till March 2016. ABF's programs are currently spread across 26 states and 241 districts of India. During 2015-16, ABF has disbursed an amount of more than ₹76 crores towards various CSR activities.

In the area of Livelihoods, ABF has partnered with NGOs that primarily work in the areas of Watershed Management and Agriculture Productivity, Livestock Enhancement, Vocational Training, and Livelihood for the Disabled. These initiatives help in enhancing the agricultural output through improved farm practices leading to increased income, watershed management activities ensure the availability of water by adopting irrigation facilities for multiple cropping, encouraging involvement into non-farm handicraft activities like embroidery work, bamboo work, etc. that further supplements the farm income and improves the overall income.

Financial Inclusion activities are conducted to help the beneficiaries gain access to banking facilities. 25,033 Self Help Groups (SHGs) have been formed with a membership of 316,792 women. Formation and promotion of SHGs is carried out that helps the women to gain gender justice as well as access to affordable credit. The SHGs have recorded a savings of ₹93.90 crores while they have borrowed an amount of ₹141.16 crores from the Banks.

The Livelihood programs also seek to train unemployed youth both abled and disabled in various vocations leading to their employability. 79,619 youth have been trained of which 33,810 have been placed and 19,278 youth are self-employed. A cadre of Community Health Workers has been created which conducted 186,578 health education sessions for the community thereby impacting more than 5 lac families.

ABF has a mission to create one million sustainable livelihoods by December 2017, which is expected to empower at least 60% women, from an economic and social perspective. A 50% increase in income is expected to be achieved through these livelihood enhancement programs. Till March 2016, over 6 lac beneficiaries have been touched by this program.

Besides CSR activities, ABF encourages employee engagement through a gamut of activities. Regular blood donation campaigns as well as Thalassemia screening camps are conducted under the "Gift of Life" initiative. The "Basket of Hope" initiative is aimed at collection drives for clothes, toys, books etc that are then re-directed to needy people. ABF is involved in Disaster Management activities in conjunction with NGOs like Americares and GOONJ. Employees of the Bank in the vicinity of the disaster area are mobilized to volunteer during medical camps and other relief work. The Foundation along with its NGO partners had actively participated in the relief and rehabilitation work to help victims impacted by the Chennai Floods by providing food, water, clothes and financial aid. ABF ran a campaign for collecting funds from officers of the Bank towards contribution for the Nepal Earthquake and collected over ₹ 38 lacs which was contributed to The Prime Minister's Relief Fund for relief operations in Nepal.

The Foundation provides Axis Bank staff opportunities to volunteer and participate in its various initiatives and also runs a payroll program to collect contributions from the employees. During the year, 6,721 employees of the Bank had enrolled for the payroll program and the annual collection amounted to ₹1.65 crores. Since 2006, the Bank and the group companies have contributed a grant of ₹334 crores. The total amount of grant disbursed up to March, 2016 was ₹274 crores.

Human Resources

Axis Bank believes that building and nurturing the Bank's people capabilities should be at the core of all initiatives to drive business excellence in a service driven banking business like ours. Thus, the key to a successful journey in achieving the Bank's Vision 2020 is to be prepared for future challenges by developing these people capabilities.

Developing leadership skills across various levels in the Bank is one of the key focus areas for capability building in the Bank. The Bank follows an institutionalized approach in identifying individuals with potential to become future leaders. A multi-tiered leadership development program has been created to develop leaders at various levels in the Bank. Academic tie-ups have been put in place to ensure access to world class content, faculty and premier institutions across the globe. Further, more than 100 senior executives of the Bank have been put through a one year program, co-facilitated by premier B-schools, with a focus to provide the requisite knowledge and leadership skill sets to prepare them for the changing times.

This year, the touch points of learning went beyond the conventional classroom through migration to alternate channels of delivery. The Bank endeavours to reinforce the status of compliance and standards as an important element of how the Bankruns its business and all its trainings are focused to ensure that its employees understand and meet their responsibilities.

Change in business strategy & creation of new verticals saw the Bank shift substantially from talent acquisition to strategic resourcing. Academic tie-ups and campus hiring based on the 'train, test and absorb' model yielded rich dividends to the Bank in creation of a pipeline of expertise in different businesses and support verticals. Speed to productivity was increased by training the employees in related subjects before they took on their responsibilities.

Axis Champions, the Bank's premier awards platform, is an initiative to drive alignment of culture across the organisation and recognize champions for their role model behaviours. This year, Axis Blitz was launched as a circle level platform to reinforce these behaviours through storytelling and experience sharing with Senior Leaders of the Bank.

The strength of the workforce was 50,135 at the end of the year. A young and engaged workforce with an average age of 30 years and the Bank's policy on being an equal opportunity employer continue to significantly contribute towards the Axis Bank brand.

The Bank promotes a healthy and safe work environment and condemns any kind of unfair treatment at the workplace. The Bank offers an emergency helpline service to the women employees to provide immediate safety response during any emergency situation. This year, the Bank launched "With You" - an initiative to provide confidential counselling services to employees and their families for anything, at any time.

The Bank has shifted to an integrated Performance Management & Capability Development system – called **ACElerate. ACElerate** stands for **A**xis **C**apability **E**nhancement Program. While retaining the tenets of Meritocracy, Transparency & Fairness, **ACElerate,** endeavours to drive changes across following principles:

- Greater alignment to the Bank's performance
- More Inclusive approach to career growth

- Investing in Capability Development and
- Leaders at every level.

Through the fulfilment of its HR agenda, the Bank continues to strive towards realization of its vision of being the preferred financial service provider excelling in customer delivery through insight, enhanced capabilities and empowered employees. The recent award received by the Bank for being amongst the top 25 best Companies to work for in India by Business Today further substantiates the successful journey towards accomplishing the Bank's vision.

Subsidiary Performance

During fiscal 2016, the Bank's subsidiaries reported healthy growth in revenue and earnings of 38% and 29% respectively. The major contributors to the total earnings of the subsidiaries were Axis Capital at 36% and Axis Finance at 31% while Axis Securities, AXIS AMC and Axis Bank UK all contributed around 10% each. The AMC and Retail Brokerage businesses are also contributing towards the Bank's Retail Franchise building strategy. Superior return performance by the AMC and best in class technology adopted by the Bank's retail brokerage subsidiary, is also contributing to strengthen the bond that the Banks' customers have with the entire Axis family.

Safe Harbor

Except for the historical information contained herein, statements in this Annual Report which contain words or phrases such as "will", "aim", "will likely result", "would", "believe", "may", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "strategy", "philosophy", "project", "should", "will pursue" and similar expressions or variations of such expressions may constitute "forward-looking statements". These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, future levels of non-performing loans, our growth and expansion, the adequacy of our allowance for credit losses, our provisioning policies, technological changes, investment income, cash flow projections, our exposure to market risks as well as other risks. Axis Bank Limited undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.