

# Directors' Report

The Board of Directors have the pleasure of presenting the 25<sup>th</sup> Annual Report of the Bank together with the Audited Statement of Accounts, Auditors' Report and the Report on the business and operations of the Bank, for the financial year ended 31<sup>st</sup> March 2019.

## Financial Performance

The financial highlights for the year under review, are presented below:

(₹ in crore)			
Particulars	2018-19	2017-18	Growth
<b>Deposits</b>	<b>548,471</b>	<b>453,623</b>	<b>21%</b>
• Savings Bank Deposits	154,129	148,202	4%
• Current Account Deposits	89,265	95,650	(7%)
<b>Advances</b>	<b>494,798</b>	<b>439,650</b>	<b>13%</b>
• Retail Advances	245,812	206,464	19%
• Non-retail Advances	248,986	233,186	7%
<b>Total Assets/Liabilities</b>	<b>800,997</b>	<b>691,330</b>	<b>16%</b>
<b>Net Interest Income</b>	<b>21,708</b>	<b>18,618</b>	<b>17%</b>
<b>Other Income</b>	<b>13,130</b>	<b>10,967</b>	<b>20%</b>
• Fee Income	10,127	8,867	14%
• Trading Profit <sup>(1)</sup>	971	1,617	(40%)
• Misc. Income	2,032	483	320%
<b>Operating Expenses</b>	<b>15,833</b>	<b>13,990</b>	<b>13%</b>
<b>Operating Profit</b>	<b>19,005</b>	<b>15,595</b>	<b>22%</b>
Provision for Tax	2,297	(154)	-
Other Provisions and Write offs	12,031	15,473	(22%)
<b>Net Profit</b>	<b>4,677</b>	<b>276</b>	<b>-</b>
Balance in Profit and Loss account brought forward from previous year	23,043	24,448	(6%)
<b>Amount Available For Appropriation</b>	<b>27,720</b>	<b>24,724</b>	<b>12%</b>
<b>Appropriations</b>			
Transfer to Statutory Reserve	1,169	69	-
Transfer (from)/to Investment Reserve	(103)	103	-
Transfer to Capital Reserve	125	102	22%
Transfer to Reserve Fund	1	2	(50%)
Dividend paid (includes tax on dividend)	-	1,405	
Transfer to Investment Fluctuation reserve	600	-	
<b>Surplus carried over to Balance Sheet</b>	<b>25,928</b>	<b>23,043</b>	<b>12%</b>

<sup>(1)</sup> Excluding Merchant Exchange Profit

## Key Performance Indicators

Key Performance Indicators	2018-19	2017-18
Interest Income as a percentage of working funds*	7.38%	7.15%
Non-interest Income as a percentage of working funds*	1.76%	1.71%
Net Interest Margin	3.43%	3.44%
Return on Average Net Worth	8.09%	0.53%
Operating Profit as a percentage of working funds*	2.55%	2.43%
Return on Average Assets	0.63%	0.04%
Profit per Employee**	₹7.61 lakhs	₹0.47 lakhs
Business (Deposits less inter-bank deposits + Advances) per employee**	₹16.53 crore	₹14.84 crore
Net non-performing assets as a percentage of net customer assets***	2.06%	3.40%

\* Working funds represent average total assets

\*\* Productivity ratios are based on average number of employees for the year

\*\*\* Customer assets include advances and credit substitutes

Previous year figures have been re-grouped wherever necessary

## Capital & Reserves

During the year, the Bank allotted 51,05,935 equity shares of ₹2/- each of the Bank, pursuant to exercise of stock options by some of the Whole Time Directors/Employees of the Bank and that of its subsidiary companies, under the various Employee Stock Option Scheme(s).

Pursuant to the said allotments, the total issued and paid-up equity share capital of the Bank, as on 31<sup>st</sup> March 2019 increased by ₹1.02 crore to ₹514.33 crore, as compared to ₹513.31 crore, as on 31<sup>st</sup> March 2018.

The category wise Shareholding Pattern of the Bank, as on 31<sup>st</sup> March 2019, was as under:

Sr. No.	Category / Shareholder	No. of Shares held	% of paid-up Capital
<b>PROMOTERS</b>			
1	Administrator of the Specified Undertaking of the Unit Trust of India (SUUTI)	13,68,87,639	5.32
2	Life Insurance Corporation of India (LIC)	27,05,83,548	10.52
3	General Insurance Corporation of India	3,40,62,729	1.32
4	The New India Assurance Company Limited	2,05,91,585	0.80
5	National Insurance Company Limited	5,49,681	0.02
6	The Oriental Insurance Company Limited	49,97,520	0.19
7	United India Insurance Company Limited	3,24,076	0.01
<b>FOREIGN INVESTORS</b>			
8	Overseas Investors (including FIIs/OCBs/NRIs)	1,33,62,98,583	51.95
9	Foreign Direct Investment (GDR)	6,83,38,285	2.66
<b>DOMESTIC FINANCIAL INSTITUTIONS</b>			
10	Financial Institutions / Mutual Funds / Banks / NBFC / AIF	44,42,47,174	17.27
11	Others	25,47,64,051	9.94
<b>Total</b>		<b>2,57,16,44,871</b>	<b>100.00</b>

The said equity shares of the Bank are listed on National Stock Exchange of India Ltd. (NSE) and BSE Ltd. (BSE). The Unsecured, Redeemable, Non-Convertible, Subordinated, Perpetual Debentures issued by the Bank, on a private placement basis are listed on NSE and BSE. The Bonds issued by the Bank under the MTN programme on a private placement basis are listed on Singapore Stock Exchange and the Green Bonds issued by the Bank are listed on London Stock Exchange. The Global Depository Receipts (GDR) issued by the Bank are listed on London Stock Exchange.

The Bank has paid the listing fees to the said Stock Exchanges, for the financial year 2018-19.

## Dividend

In terms of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Bank has formulated and adopted a Dividend Distribution Policy with the objective of providing clarity to its stakeholders on the profit distribution strategies of the Bank. During the year, the said Policy has been reviewed by the Board of Directors of the Bank and hosted on the website of the Bank at <https://www.axisbank.com/shareholders-corner/corporate-governance/Compliance-Report>.

The Diluted Earnings Per Share (EPS) of the Bank for the financial year 2018-19 stood at ₹18.09 per equity share of ₹2/- each as compared to ₹1.12 per equity share of ₹2/- each in the previous financial year. In view of the overall performance of the Bank and with the objective of rewarding the Shareholders of the Bank with cash dividends, while retaining capital to maintain a healthy capital adequacy ratio to support future growth, the Board of Directors of the Bank at its meeting held on 25<sup>th</sup> April 2019, recommended a dividend of ₹1/- per equity share of ₹2/- each for the financial year 2018-19, as compared to Nil Dividend for the financial year 2017-18, in terms of the Dividend Distribution Policy of the Bank. The said increase in EPS reflects the Bank's confidence in its ability to consistently grow earnings over time.

## Closure of Share Transfer Books And Record Date For Dividend

The Register of Members and the Share Transfer Books of the Bank will remain closed from Saturday, 6<sup>th</sup> July 2019 to Saturday, 20<sup>th</sup> July 2019 (both days inclusive) for the purpose of the 25<sup>th</sup> Annual General Meeting of the Shareholders of the Bank to be held on Saturday, 20<sup>th</sup> July 2019 and to determine the names of the Members who would be entitled to dividend, if any, declared by the Bank, for the financial year ended 31<sup>st</sup> March 2019.

The Record Date for payment of the said dividend, if approved by the Members at the 25<sup>th</sup> Annual General Meeting, has been fixed on Friday, 5<sup>th</sup> July 2019. The said dividend shall be paid to those Members whose name appears on the Register of Members of the Bank/ the Statements of Beneficial Ownership as received from the Depositories, as at the close of business hours on Friday, 5<sup>th</sup> July 2019.

## Ratings of various Debt Instruments

The Senior Unsecured Redeemable Non-Convertible Debentures (Series 4) issued by the Bank, on a private placement basis, during the financial year 2018-19, were rated "CRISIL AAA" by CRISIL Ltd. and "ICRA AAA" by ICRA Ltd.

The Bonds issued by the Bank under the MTN programme, on a private placement basis, during the financial year 2018-19, were rated "BBB" by Fitch Ratings, "BBB" by Standard & Poor's, "Baa3" by Moody's.

The details of all credit ratings obtained by the Bank along with any revisions thereto, during the financial year 2018-19, for all the debt instruments outstanding as on 31<sup>st</sup> March 2019, is disclosed in the Corporate Governance Report, forming part of this report.

## Board of Directors

During the year, the following changes took place in the composition of the Board of Directors ("the Board") of the Bank:

- Shri Prasad Menon ceased to be an Independent Director of the Bank, with effect from the close of business hours on 8<sup>th</sup> October 2018, upon completion of the maximum permissible tenure of 8 (eight) continuous years, under Section 10A (2A) of the Banking Regulation Act, 1949. The Board acknowledges the invaluable contributions rendered by Shri Prasad Menon during his tenure as an Independent Director of the Bank and places on record its deep appreciation for the insightful perspectives and suggestions provided by him at the meetings of the Board/Committees of the Bank.
- Pursuant to the recommendation of the Nomination and Remuneration Committee ("NRC"), the Board at its meeting held on 2<sup>nd</sup> November 2018, approved the appointment of Shri Girish Paranjpe as an Independent Director of the Bank, for a period of 4 (four) consecutive years, with effect from 2<sup>nd</sup> November 2018 upto 1<sup>st</sup> November 2022 (both days inclusive), subject to the approval of the Shareholders of the Bank. The said appointment was approved by the Shareholders of the Bank through Postal Ballot on 17<sup>th</sup> January 2019. During the said period, Shri Girish Paranjpe shall not be liable to retire by rotation, in terms of the provisions of Section 149(13) of the Companies Act, 2013.
- Shri V. Srinivasan, Deputy Managing Director of the Bank retired from the services of the Bank and accordingly ceased to be the Whole Time Director (designated as the Deputy Managing Director) of the Bank, with effect from the close of business hours on 20<sup>th</sup> December 2018.

During his tenure as the Deputy Managing Director of the Bank, Shri V. Srinivasan facilitated the growth of the corporate lending and treasury businesses of the Bank. The Board acknowledges the invaluable contributions rendered by Shri V. Srinivasan during his tenure as the Deputy Managing Director of the Bank and places on record its deep appreciation for the insightful perspectives and suggestions provided by him during the deliberations at the meetings of the Board/Committees of the Bank.

- Smt. Shikha Sharma, Managing Director & CEO of the Bank retired from the services of the Bank and accordingly ceased to be the Managing Director & CEO of the Bank, with effect from the close of business hours on 31<sup>st</sup> December 2018.

During her tenure as the Managing Director & CEO, the Bank turned into a full-fledged financial institution by offering services to both corporate and retail consumers. The seamless retailisation of the Bank, achieved under her tenure, was remarkable and has led to a significant diversification of the Bank's balance sheet. The Board acknowledges the leadership and the invaluable contributions rendered by Smt. Shikha Sharma during her tenure as the Managing Director & CEO of the Bank and places on record its deep appreciation for the insightful perspectives and suggestions provided by her at the meetings of the Board/Committees of the Bank.

- Pursuant to the recommendation of the NRC, the Board at its meeting held on 9<sup>th</sup> July 2018, shortlisted the candidature of Shri Amitabh Chaudhry for the post of the Managing Director & CEO of the Bank, with effect from 1<sup>st</sup> January 2019 and recommended the same for the approval of the Reserve Bank of India (RBI).

The RBI granted its approval to the appointment of Shri Amitabh Chaudhry as the Managing Director & CEO, of the Bank, for a period of 3 (three) years, with effect from 1<sup>st</sup> January 2019 upto 31<sup>st</sup> December 2021 (both days inclusive) and to the terms and conditions relating to the said appointment, including remuneration.

In order to facilitate smooth transition and help Shri Amitabh Chaudhry familiarize with the business and operations of the Bank, the Board at its meeting held on 2<sup>nd</sup> November 2018, approved the appointment of Shri Amitabh Chaudhry, as the Managing Director (Designate), in executive position of the Bank, with effect from 19<sup>th</sup> November 2018 upto 31<sup>st</sup> December 2018 (both days inclusive).

Thereafter, pursuant to the approval of the RBI and on the recommendation of the NRC, the Board at its meeting held on 8<sup>th</sup> December 2018, approved the appointment of Shri Amitabh Chaudhry as the Managing Director & CEO of the Bank, for a period of 3 (three) years, with effect from 1<sup>st</sup> January 2019 up to 31<sup>st</sup> December 2021 (both days inclusive) and the terms and conditions relating to the said appointment, including remuneration. The said appointment of Shri Amitabh Chaudhry as the Managing Director & CEO of the Bank and the terms and conditions in respect thereof, including remuneration, was approved by the Shareholders of the Bank, through Postal Ballot on 17<sup>th</sup> January 2019.

- Pursuant to the outcome of the performance evaluation and the recommendation of the NRC, the Board at its meeting held on 8<sup>th</sup> December 2018, had approved the re-appointment of the following Independent Directors of the Bank, for their second term, subject to approval of the Shareholders of the Bank:
  - a) Prof. Samir K. Barua as an Independent Director of the Bank, with effect from 1<sup>st</sup> April 2019 upto 21<sup>st</sup> July 2019 (both days inclusive);
  - b) Shri Som Mittal as an Independent Director of the Bank, with effect from 1<sup>st</sup> April 2019 upto 21<sup>st</sup> October 2019 (both days inclusive); and
  - c) Shri Rohit Bhagat as an Independent Director of the Bank, with effect from 1<sup>st</sup> April 2019 upto 15<sup>th</sup> January 2021 (both days inclusive).

The said re-appointment of Prof. Samir K. Barua, Shri Som Mittal and Shri Rohit Bhagat were approved by the Shareholders of the Bank, through Postal Ballot on 17<sup>th</sup> January 2019. During the said period, Prof. Samir K. Barua, Shri Som Mittal and Shri Rohit Bhagat shall not be liable to retire by rotation, in terms of the provisions of Section 149(13) of the Companies Act, 2013.

- As part of the succession planning process of the Bank and pursuant to the recommendation of the NRC, the Board at its meeting held on 8<sup>th</sup> December 2018, approved the re-designation of Shri Rajiv Anand as the Executive Director (Wholesale Banking) of the Bank, with effect from 21<sup>st</sup> December 2018 upto 3<sup>rd</sup> August 2019 (both days inclusive) i.e. for the remainder of his existing term as the Executive Director of the Bank.
- In view of the vacancy that would be caused by the expiry of tenure of Dr. Sanjiv Misra, the Non- Executive (Part-Time) Chairman of the Bank, w.e.f. the close of business hours on 17<sup>th</sup> July 2019, as part of the succession planning process of the Bank and pursuant to the recommendation of the NRC, the Board at its meeting held on 12<sup>th</sup> March 2019 approved the appointment of Shri Rakesh Makhija as the Non- Executive (Part-Time) Chairman of the Bank, for a period of 3 (three) years, with effect from 18<sup>th</sup> July 2019 upto 17<sup>th</sup> July 2022 (both days inclusive), subject to approval of the RBI and the Shareholders of the Bank.
- In terms of Section 152 of the Companies Act, 2013, Smt. Usha Sangwan is liable to retire by rotation at the ensuing AGM and being eligible has offered herself for re-appointment.
- Pursuant to the recommendation of the NRC, the Board at its meeting held on 22<sup>nd</sup> May 2019, approved the re-appointment of Shri Rajiv Anand as the Executive Director (Wholesale Banking) of the Bank, for a further period of 3 (three) years, with effect from 4<sup>th</sup> August 2019 upto 3<sup>rd</sup> August 2022 (both days inclusive) and the terms and conditions relating to the said re-appointment, including remuneration, subject to the approval of the RBI and the Shareholders of the Bank. During the said period, Shri Rajiv Anand, shall be liable to retire by rotation.
- Pursuant to the recommendation of the NRC, the Board at its meeting held on 22<sup>nd</sup> May 2019, approved the re-appointment of Shri Rajesh Dahiya as the Executive Director (Corporate Centre) of the Bank, for a further period of 3 (three) years, with effect from 4<sup>th</sup> August 2019 upto 3<sup>rd</sup> August 2022 (both days inclusive) and the terms and conditions relating to the said re-appointment, including remuneration, subject to the approval of the RBI and the Shareholders of the Bank. During the said period, Shri Rajesh Dahiya shall be liable to retire by rotation.
- Pursuant to the recommendation of the NRC, the Board at its meeting held on 22<sup>nd</sup> May 2019, approved the appointment of Shri Pralay Mondal, Group Executive (Retail Banking) as a Director of the Bank and as the Whole Time Director designated as "Executive Director (Retail Banking)" of the Bank, for a period of 3 (three) years, with effect from 1<sup>st</sup> August 2019 upto 31<sup>st</sup> July 2022 (both days inclusive) and the terms and conditions relating to the said appointment, including remuneration, subject to the approval of the RBI and the Shareholders of the Bank. During the said period, Shri Pralay Mondal shall be liable to retire by rotation.

During the year, no other changes took place in the composition of the Board of Directors of the Bank. The composition of the Board of Directors of the Bank is in compliance with the applicable norms.

The ordinary resolutions in respect of the appointment / re-appointment of the Directors, as aforesaid, have been included in the Notice convening the 25<sup>th</sup> Annual General Meeting of the Bank, to be held on Saturday, 20<sup>th</sup> July 2019. The brief profile and details of the remuneration last drawn by the said Directors, have been annexed to the said Notice.

### **Selection and Appointment of Directors & Other Key Officials**

The selection and appointment of Directors and other Key officials of the Bank is done in accordance with the relevant provisions of the Companies Act, 2013, the relevant Rules made thereunder, the Banking Regulation Act, 1949, the Guidelines issued by the RBI and the relevant provisions of the Listing Regulations relating to Corporate Governance (as amended), from time to time.

The Bank has formulated and adopted a Succession Planning Policy (the Policy), for appointment of its Directors and other Key Officials. The objectives of the Policy is to assess, identify and nominate suitable candidates to fill vacancies that may arise for positions of Directors and other Key Officials of the Bank, to plan for succession of the said roles and any vacancies that may arise out of impending move or retirement or resignation or sudden exit or for any reason whatsoever in such roles, incumbent or named successors, significant changes in role accountabilities, substantive changes in the business parameters and changes to the role holder or successor's aspiration.

The Policy also seeks to identify the competency requirements for the said positions, identify potential candidates and develop required competencies through planned training, development and learning initiatives and to ensure systematic and long-term

development of personnel for taking higher roles and responsibilities at the senior management levels at the Bank or that of its subsidiary companies, which may arise due to impending move or retirement or resignation or sudden exit or for any reason whatsoever, of the role, incumbent or named successors.

The Bank adheres to the process and methodology prescribed by the RBI in respect of the 'Fit & Proper' criteria as applicable to Private Sector Banks, signing of deed of covenants which binds the Directors to discharge their responsibilities to the best of their abilities, individually and collectively in order to be eligible to be appointed/re-appointed as a Director of the Bank. The prescribed declarations given by the Directors other than that of the Members of the NRC are placed before the NRC and the declarations given by the Members of the NRC are placed before the Board, for its review and noting. The said declarations are obtained from all the Directors on an annual basis and also at the time of their appointment / re-appointment, in compliance with the said laws. An assessment on whether the Directors fulfil the said criteria is also carried out by the NRC and the Board on an annual basis and before considering their candidature for re-appointment.

The NRC also reviews the structure, size, composition of the Board, the regional and industry experience, track record, expertise and other relevant information and documents of the Directors before making appropriate recommendations to the Board with regard to their appointment / re-appointment, terms and conditions relating to the such appointment/re-appointment, including remuneration, designed to enhance the Board's effectiveness.

The NRC identifies potential candidates from diverse backgrounds including but not limited to accountancy, agriculture and rural economy, banking, co-operation, economics, finance, law, small-scale industry, information technology, core industries, infrastructure sector, payment and settlement systems, human resource, risk management and business management, thus providing the Board with Members who have special knowledge or practical experience and requisite set of skills, to serve the diverse business interests of the Bank.

### **Declaration of Independence**

All the Independent Directors of the Bank have given their respective declarations stating that they meet the criteria prescribed for independence under the applicable laws and the Board has confirmed its veracity and taken the same on record.

### **Key Managerial Personnel**

At the meeting of the Board held on 8<sup>th</sup> December 2018, Shri Amitabh Chaudhry, the Managing Director & CEO of the Bank, was appointed as the Key Managerial Personnel of the Bank, with effect from 1<sup>st</sup> January 2019, under Section 203(1) of the Companies Act, 2013.

In terms of Section 203(1) of the Companies Act, 2013, Shri Amitabh Chaudhry, Managing Director & CEO, Shri Jairam Sridharan, Group Executive & Chief Financial Officer and Shri Girish V. Koliyote, Company Secretary are the Key Managerial Personnel of the Bank.

### **Board Performance Evaluation**

The Companies Act, 2013 and the Listing Regulations relating to Corporate Governance contains provisions on evaluation of the performance of the Board, its Committees, its individual Directors and its Chairperson.

The NRC is the nodal agency for conduct of said performance evaluation. The NRC has reviewed and approved the manner for effective evaluation of the performance of the Board, its Committees, its individual Directors and its Chairperson and the criteria for the said performance evaluation. The manner in which the said performance evaluation has been conducted is explained in the Report on Corporate Governance, which forms part of this report.

### **Meetings**

The schedule in respect of the meetings of the Board / Committees thereof to be held during the next financial year and for the ensuing Annual General Meeting is circulated in advance to the Members of the Board. During the year, 12 meetings of the Board were held and the gap between the said meetings did not exceed the limit of 120 days, as prescribed under the relevant provisions of the Companies Act, 2013, the relevant Rules made thereunder and the Listing Regulations relating to Corporate Governance.

### Audit Committee

The composition, role and functions of the Audit Committee of the Board (ACB) of the Bank, is disclosed in the Report on Corporate Governance, which forms part of this report.

### Remuneration Policy

The Bank has formulated and adopted a Comprehensive Remuneration Policy for its Directors, Key Managerial Personnel and other Employees, in terms of the relevant provisions of Section 178 of the Companies Act, 2013, the relevant Rules made thereunder and the Listing Regulations relating to Corporate Governance. During the year, the said Policy was reviewed by the Board of Directors of the Bank. The details of the said Remuneration Policy have been disclosed in the Report on Corporate Governance, which forms part of this report. The said Policy has been hosted on the website of the Bank at <https://www.axisbank.com/shareholders-corner/corporate-governance/Compliance-Report>.

### Whistle Blower Policy and Vigil Mechanism

The details of the Whistle Blower Policy and Vigil Mechanism have been disclosed in the Report on Corporate Governance, which forms part of this report.

### Subsidiaries

As on 31<sup>st</sup> March 2019, the Bank has the following eleven unlisted subsidiary companies and one step down subsidiary;

- i) Axis Asset Management Company Ltd. undertakes the activities of managing the mutual fund business.
- ii) Axis Mutual Fund Trustee Ltd. acts as the trustee for the mutual fund business.
- iii) Axis Capital Ltd. provides services relating to investment banking, equity capital markets, institutional stock broking, mergers and acquisition advisory etc.
- iv) Axis Finance Ltd. is an NBFC and carries on the activities of corporate and structural lending, loan against property etc.
- v) Axis Securities Ltd. is in the business of marketing of credit cards and retail asset products (Discontinued its non - broking business w.e.f. 28<sup>th</sup> March 2019) and retail broking services.
- vi) A.TREDS Ltd. is engaged in the business of facilitating financing of trade receivables.
- vii) Axis Bank UK Ltd. is the banking subsidiary of the Bank in the United Kingdom and undertakes the activities of banking.
- viii) Axis Trustee Services Ltd. is engaged in trusteeship activities, acting as debenture trustee and as trustee to various securitisation trusts.
- ix) Freecharge Payment Technologies Private Ltd is in the business of providing merchant acquiring services, payment aggregation services, payment support services, and business correspondent to a Bank/Financial Institution, distribution of Mutual Funds.
- x) Accelyst Solutions Private Ltd. is in the business of providing Online marketing and sales promotion solutions, providing facilities to recharge online prepaid, postpaid mobile phones connections, DTH connections and data cards etc, distribution of mutual fund & insurance services.
- xi) Axis Private Equity Ltd. primarily carries on the activities of managing equity investments and provides venture capital support to businesses.
- xii) Axis Capital USA, LLC. is a wholly owned subsidiary of Axis Capital Limited incorporated in USA and provides financial services relating to equity capital market, institutional stock broking to institutional investors in USA.

In accordance with the provisions of Section 129(3) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, as amended, the Bank has prepared its consolidated financial statements including that of all its subsidiary companies, which forms part of this report. The financial position and performance of each of the said subsidiary companies are given in the statement containing the salient features of the financial statements of the said subsidiary companies of the Bank, which is annexed to this report.

In accordance with the third proviso to Section 136(1) of the Companies Act, 2013, the Annual Report of the Bank, containing therein its standalone financial statements and the consolidated financial statements and all other documents required to be attached thereto have also been hosted on the website of the Bank [www.axisbank.com](http://www.axisbank.com).

Further, in accordance with the fourth proviso to the said section, the audited annual accounts of each of the said subsidiary companies of the Bank have been hosted on the website of the Bank at <https://www.axisbank.com/shareholders-corner/shareholders-information/annual-reports>.

Any shareholder interested in obtaining a physical copy of the said financial statements may write to the Company Secretary at the Registered Office of the Bank. Further, please note that the said financial statements will also be available for inspection by the shareholders of the Bank and Trustees of Debenture holders at the Registered Office of the Bank during business hours from 11.00 a.m. to 1.00 p.m. on all working days except Saturdays, Sundays, Bank Holidays and National Holidays.

### **Related Party Transactions**

During the year, the Bank has not entered into any materially significant transactions with its Promoters, Directors, Management, Subsidiaries or Relatives of the Directors/Management, which could lead to potential conflict of interest between the Bank and these parties, other than transactions entered into in the ordinary course of its business.

Transactions entered into by the Bank with related parties in the normal course of its business were placed before the ACB. There are no material transactions entered into with related parties. There were no transactions with related parties, which were not in the normal course of the business of the Bank, nor were there any transactions with related parties or others, which were not on an arm's length basis. Accordingly, Form AOC-2 is not applicable to the Bank. A statement giving details of all related party transactions, entered pursuant to the omnibus approval so granted, is placed before the ACB for their review. The Bank has developed a Standard Operating Procedure for the purpose of identifying and monitoring such transactions. During the year, the Policy on Related Party Transactions has been reviewed by the Board of Directors of the Bank and the same has been hosted on the website of the Bank at <https://www.axisbank.com/shareholders-corner/corporate-governance/Compliance-Report>, in terms of the Listing Regulations relating to Corporate Governance.

### **Employee Stock Option Plan (ESOP)**

Since the financial year 2000-01, the Bank has formulated and adopted Employee Stock Option Schemes (ESOS) for the benefit of the eligible Employees/Managing Director & CEO and Whole Time Directors of the Bank and that of its subsidiary companies ("eligible Employees/Directors"), in terms of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 / the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended. The objective of the said ESOS is to enhance employee motivation, enable employees to participate, directly or indirectly, in the long-term growth and financial success of the Bank, to act as a retention mechanism by enabling employee participation in the business of the Bank as its active stakeholder and to usher an 'owner-manager' culture.

During the year under review, the Shareholders of the Bank, by means of a special resolution, passed through Postal Ballot on 17<sup>th</sup> January 2019, approved the creation, issue and allotment of additional 2,50,00,000 stock options convertible into 2,50,00,000 equity shares of ₹2/- each of the Bank, to the eligible Employees/Directors.

In terms of the said ESOS, as on date, up to 26,50,87,000 stock options are available for grant by the Bank to the eligible Employees/Directors. The eligibility and number of stock options to be granted to such eligible Employees/Directors is determined on the basis of the outcome of their performance evaluation and such other criteria as approved by the NRC / Board of Directors of the Bank, from time to time.

During the period from February 2001 to January 2019, the Shareholders of the Bank had approved the grant of stock options, as aforesaid, on seven occasions. Under the first two ESOS of the Bank and in respect of the grant of stock options made by the Bank upto 29<sup>th</sup> April 2004, the option conversion price was set at the average of the daily high-low price of the Bank's equity shares traded during the 52 weeks preceding the date of approval of grant by the Board / NRC, prevailing on the Stock Exchange which had the maximum trading volume of the Bank's equity share during the said period. Thereafter, under the third and subsequent ESOS of the Bank and with effect from the said grants made by the Bank on or after 10<sup>th</sup> June 2005, the stock option conversion



price was changed to the latest available closing price of the equity shares of the Bank, prevailing on the Stock Exchange which recorded higher trading volume, on the day prior to the date of approval of grant by the NRC.

Pursuant to the sub-division of the equity shares of the Bank, the Shareholders of the Bank at the 20<sup>th</sup> Annual General Meeting held on 27<sup>th</sup> June 2014, also approved the consequent adjustments to the stock options granted to the eligible Employees/Directors, under the various ESOS of the Bank, such that all stock options available for grant (including lapsed and forfeited options available for reissue) and those already granted but not vested and those vested but not exercised, as on the record date fixed for the purpose of sub-division, were proportionately converted into options bearing equity shares of the face value of ₹2/- each of the Bank and the grant price of all the outstanding stock options (unvested, vested and unexercised) as on the said record date for the purpose of sub-division were proportionately adjusted by dividing the existing grant price by 5. The record date for the said sub-division was 30<sup>th</sup> July 2014.

Since 24<sup>th</sup> February 2001 up to 27<sup>th</sup> March 2019, the NRC / Board had out of the said 26,50,87,000 stock options, approved the grant of 27,01,13,700 stock options (including 2,69,83,897 stock options which had lapsed and were forfeited) to the eligible Employees/Directors, in terms of the various ESOS of the Bank. The said stock options are non-transferable and vest at the rates of 30%, 30% and 40% on each of three successive anniversaries following the date of respective grant, subject to standard vesting and other conditions as set out in the respective ESOS of the Bank. The said stock options are required to be exercised by the concerned eligible Employees/Directors, within a period of three / five years, from the date of its respective vesting, in terms of the respective ESOS of the Bank.

As of 31<sup>st</sup> March 2019, out of the said 27,01,13,700 stock options so granted 24,54,77,475 stock options have been vested, out of which 20,24,96,929 stock options have been exercised and the balance 1,71,38,224 stock options remain unexercised. Further 2,34,94,650 stock options remained unvested and 2,69,83,897 stock options had been treated as lapsed and forfeited.

There were no material changes in the ESOS of the Bank during the financial year 2018-19 and the same is in compliance with the relevant provisions of the SEBI (Share Based Employee Benefits) Regulations, 2014, as amended.

Statutory disclosures as mandated under Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014, as amended, have been hosted on the website of the Bank at <https://www.axisbank.com/shareholders-corner/corporate-governance/compliance-report>.

### **Corporate Governance**

The Bank is committed to achieving and adhering to the highest standards of Corporate Governance and it constantly benchmarks itself with best practices, in this regard.

The Report on Corporate Governance for the financial year 2018-19 along with the Certificate issued by the Statutory Auditors of the Bank confirming compliance with the mandatory requirements relating to Corporate Governance as stipulated under Chapter IV of the Listing Regulations, forms part of this report.

The Corporate Governance framework of the Bank incorporates all the mandatory requirements as prescribed in the Listing Regulations. The Bank has also adopted the non-mandatory requirements as recommended in the Listing Regulations, detailed in the Report on Corporate Governance, which forms part of this report.

### **Information under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

The Bank has complied with the provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The information relating to complaints received and redressed during the financial year 2018-19 is disclosed in the Report on Corporate Governance, which forms part of this report.

### **Directors' Responsibility Statement**

The Board of Directors of the Bank hereby declares and confirms the following statements, in terms of Section 134(3)(c) of the Companies Act, 2013:

- a) That in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March 2019, the applicable accounting standards had been followed along with proper explanation relating to material departures.

- b) That such accounting policies as mentioned in Note no. 17 of the Notes to accounts of the Financial Statements have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at 31<sup>st</sup> March 2019 and of the profit of the Bank for the year ended on that date.
- c) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities.
- d) That the annual accounts have been prepared on a going concern basis.
- e) That internal financial controls to be followed by the Bank, were in place and that the same were adequate and were operating effectively.
- f) That proper system to ensure compliance with the provisions of all applicable laws was in place and the same were adequate and operating effectively.

### **Annual Return**

In accordance with the Companies (Amendment) Act, 2017, read with Section 134(3) of the Companies Act, 2013, the Annual Return, under Section 92 (3) of the Companies Act, 2013, can be accessed on the website of the Bank at <https://www.axisbank.com/shareholders-corner/shareholders-information> and the extract of the Annual Return in Form MGT-9, is provided as an annexure to this report.

### **Particulars of Employees**

The information required pursuant to Section 197 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, in respect of Directors / Employees of the Bank, is provided as an annexure to this report.

As on 31<sup>st</sup> March 2019, the Bank had 57 employees who were employed throughout the year and were in receipt of remuneration of more than ₹1.02 crore per annum and 19 employees of the Bank who were employed for part of the year and were in receipt of remuneration of more than ₹8.50 lakh per month.

In terms of Section 136 of the Companies Act, 2013, the copy of the financial statements of the Bank, including the consolidated financial statements, the auditor's report and relevant annexures to the said financial statements and reports are being sent to the Members and other persons entitled thereto, excluding the information in respect of the said 76 employees of the Bank containing the particulars as specified in Rule 5 (2) of the said Rules, which is available for inspection by the Members at the Registered Office of the Bank during business hours of the Bank up to the date of the ensuing Annual General Meeting. Any Member interested in obtaining a copy thereof, may write to the Company Secretary of the Bank at its Registered Office.

### **Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo**

#### **Conservation of Energy & Technology Absorption:**

Energy and natural resource conservation have been focus areas for the Bank and conscious efforts are being made towards improving energy performance, year on year.

For Sustainable Development, Energy efficiency initiatives have been implemented across several branches and offices through energy and resource conservation projects.

The Bank ensures strict compliance with all statutory requirements and voluntarily undertakes several sustainable steps in order to contribute towards a better environment.

Some of the steps undertaken and the impact perceived are listed below:

- Implementation of Solar energy projects across select Branches/ Offices, aggregating ~7.05 MW. This includes 2.00 MW project at Sonalwadi, Solapur, Maharashtra.

- Implementation of Centralised Energy Management System (CEMS) to monitor and control energy consumption.
- Conversion of conventional lighting to LED in 250 plus number of Locations with premises size more than 4000 sq.ft. & implementation of LED lights in all new Branches/Offices.
- Conversion of Food/Wet waste at Axis House, Mumbai, into manure through compost machine for use in landscaping/gardening.
- Maintenance of unity power factor through APFC panels in auto mode for optimum use of power at Axis House Mumbai and Noida.
- Installation of Motion sensors for workstation and common area lighting at Axis House, Mumbai.
- Re-cycling of Dry waste at Axis House, Mumbai, into stationery items like notepads.
- Daily re-cycling of 150 KL of water through Sewage Treatment Plant at Axis House, Mumbai.
- Reduction of water consumption at Axis House, Mumbai through use of aerators.
- Rain Water Harvesting of ~2000 KL of water yearly, at Axis House, Mumbai.
- Saving of water through use of Bio-blocks in urinals at Select Large Offices.
- Installation of sensors in washbasins to optimise flow of water at Select Large Offices.

### Foreign Exchange Earning and Outgo:

The provisions relating to Section 134(3)(m) of the Companies Act, 2013 on particulars relating to Foreign Exchange Earning and Outgo are not applicable to a Banking Company, as such no disclosure is being made, in this regard.

### Management's Discussion and Analysis Report

The Management's Discussion and Analysis Report for the year under review, as stipulated under Regulation 34(2)(e) of the Listing Regulations, is provided as an annexure to this report.

### Risk Management

Pursuant to Regulation 21 of the Listing Regulations, the Bank has constituted a Risk Management Committee. The details of the said Committee and its terms of reference are set out in the Report on Corporate Governance, which forms part of this report.

The Bank has formulated and adopted a robust Risk Management Framework. Whilst the Board is responsible for framing, implementing and monitoring the Risk Management Framework, it has delegated its powers relating to monitoring and reviewing of risks associated with the business of the Bank to the said Committee. The details of the Risk Management Framework and issues related thereto have been explained in the Management's Discussion and Analysis Report, which is provided as an annexure to this report.

### Business Responsibility Report

In terms of Regulation 34(2)(f) of the Listing Regulations, top 500 listed entities based on their market capitalisation as on 31<sup>st</sup> March every year, are required to submit their Business Responsibility Report (BRR) as a part of their Annual Report. The Bank's BRR describing the initiatives taken by the Bank from an Environmental, Social and Governance perspective has been hosted on the website of the Bank at <https://www.axisbank.com/shareholders-corner/shareholders-information/business-responsibility-report>. Any Member interested in obtaining a copy of the BRR may write to the Company Secretary of the Bank at its Registered Office.

### Particulars of Loans, Guarantees and Investments

The provisions relating to Section 134(3)(g) of the Companies Act, 2013 on particulars of loans, guarantees and investments are not applicable to a Banking Company, as such no disclosure is being made, in this regard.

### Corporate Social Responsibility

The Bank has constituted the Corporate Social Responsibility (CSR) Committee of the Board, in accordance with the provisions of Section 135 of the Companies Act, 2013, read with the Companies (Corporate Social Responsibility) Rules, 2014, as amended.

The brief outline of the CSR Policy, including overview of the programs undertaken by the Bank, the composition of the CSR Committee, average net profits of the Bank for the past three financial years, prescribed CSR expenditure and details of the amounts spent by the Bank on CSR activities during the year under review, have been provided as an annexure to this report.

During the year, the said Policy has been reviewed by the Board and the same has been hosted on the website of the Bank at <https://www.axisbank.com/csr>.

### **Plan and Status of Ind AS Implementation**

The RBI had issued a circular in February 2016 requiring banks to implement Indian Accounting Standards (Ind AS) and prepare standalone and consolidated Ind AS financial statements with effect from 1<sup>st</sup> April 2018. Banks were also required to report the comparative financial statements for the financial year 2017-18, to be published along with the financial statement for the year beginning 1<sup>st</sup> April 2018. However, the RBI in its press release issued on 5<sup>th</sup> April 2018 deferred the applicability of Ind AS by one year (i.e. 1<sup>st</sup> April 2019) for Scheduled Commercial Banks. Further, RBI in a circular issued on 22<sup>nd</sup> March 2019 has deferred the implementation of Ind AS, till further notice.

In line with the RBI guidelines on Ind AS implementation, the Bank has a Steering Committee comprising members from the concerned functional areas, headed by the Executive Director (Wholesale Banking). A quarterly progress report on the status of Ind AS implementation in the Bank is presented to the Audit Committee of the Board. During the FY 2016-17, the Bank had undertaken preliminary diagnostic analysis of the GAAP differences between Indian GAAP vis-a-vis Ind AS.

The Bank has also identified and evaluated data gaps, processes and system changes required to implement Ind AS. The Bank is in the advanced stage of implementing necessary changes in its IT system and other processes. The Bank has been holding workshops and training for its staff, which will continue in the current year. The Bank has also submitted to RBI Proforma Ind AS financial statements for the six months ended 30<sup>th</sup> September 2016 and three months ended 30<sup>th</sup> June 2017 and for the first three quarters of FY 2018-19.

The Bank is also examining impact of Ind AS on business planning, budgeting, taxation, capital planning and on capital adequacy.

The Bank is also in the process of preparation of proforma Ind-AS financial statements, for the year ended 31<sup>st</sup> March 2019.

### **Statutory Auditor**

At the 24<sup>th</sup> Annual General Meeting of the Shareholders of the Bank held on 20<sup>th</sup> June 2018, M/s Haribhakti & Co. LLP, Chartered Accountants, Mumbai (Membership Number 103523W/W100048), were appointed as the Statutory Auditors of the Bank to hold office as such from the conclusion of the 24<sup>th</sup> Annual General Meeting until the conclusion of the 28<sup>th</sup> Annual General Meeting, subject to the approval of the Reserve Bank of India and on such remuneration, as may be approved by the ACB.

In terms of the relevant provisions of the Banking Regulation Act, 1949, the approval of the RBI is mandatory for appointment of Statutory Auditors of the Bank every year. The Bank will obtain the requisite approval of RBI for the appointment of M/s Haribhakti & Co. LLP as the Statutory Auditors of the Bank, for the financial year 2019-20.

In this regard, the Bank has received a certificate from the said Statutory Auditors to the effect that the appointment, if made, would be in accordance with the relevant provisions of Section 141 of the Companies Act, 2013.

As required under Regulation 33(1)(d) of the Listing Regulations, the Statutory Auditors have confirmed that they have subjected themselves to the peer review process of the Institute of Chartered Accountants of India (ICAI) and that they hold a valid certificate issued by the Peer Review Board of ICAI.

There are no qualifications, reservations or adverse remarks made by M/s Haribhakti & Co. LLP, Chartered Accountants, Statutory Auditors of the Bank, in their report. Further, pursuant to Section 143(12) of the Companies Act, 2013, the Statutory Auditors of the Bank have not reported any instances of frauds committed in the Bank by its officers or employees.

### **Secretarial Auditor**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the relevant provisions of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Bank appointed M/s BNP & Associates, Company Secretaries, Mumbai, as the Secretarial Auditor of the Bank, for the financial year 2018-19. The secretarial audit of the Bank was conducted in respect of the matters prescribed in the said Rules and as set out in the Secretarial Audit Report for the financial year 2018-19, which is provided as an annexure to this report.

There are no qualifications, reservations or adverse remarks made by the Secretarial Auditor of the Bank, in its report.

In terms of SEBI circular no CIR/CFD/CMD1/27/2019 dated 8<sup>th</sup> February 2019, relating to Annual Secretarial Compliance Report, the Bank appointed M/s. BNP & Associates, Company Secretaries, to conduct the audit of the Secretarial Compliance for the financial year 2018-19. The Bank will submit the Annual Secretarial Compliance Report to the Stock Exchanges within the prescribed time limit and host the same on its website.

### **Significant and Material Order Passed by Regulators or Courts or Tribunals Impacting the Going Concern Status and Operations of the Bank**

During the financial year 2018-19, no significant or material order was passed by any Regulator, Court or Tribunal against the Bank, which could impact its going concern status or operations.

### **Adequacy of Internal Financial Controls Related to Financial Statements**

The Board has inter alia reviewed the adequacy and effectiveness of the Bank's internal financial controls relating to its financial statements.

The Board has discussed with the Management of the Bank the major financial risk exposures and the steps taken by it to monitor and control such exposures, overseen and reviewed the functioning of the Whistle Blower Mechanism (which is a part of the Bank's Fraud Risk Management Policy) and the findings in respect of the investigations conducted on frauds, which were material in nature and the actions taken by the Management, in this regard.

### **CEO & CFO Certification**

Certificate issued by Shri Amitabh Chaudhry, Managing Director & CEO and Shri Jairam Sridharan, Group Executive & CFO of the Bank, for the financial year ended 31<sup>st</sup> March 2019, was placed before the Board of Directors at its meeting held on 25<sup>th</sup> April 2019, in terms of Regulation 17(8) of the Listing Regulations.

### **Material Changes and Commitments affecting the financial position of the Bank**

There are no material changes and commitments which affected the financial position of the Bank, which occurred between the end of the financial year of the Bank to which the financial statements relate and upto the date of this report.

Post adoption of the annual financial statements by the Board of Directors, the Bank has classified an account in the sugar sector as non-performing per instructions received from the RBI, with retrospective effect from 1<sup>st</sup> February 2016. As the Bank already held substantial provision against this account as on 31<sup>st</sup> March 2019, no further provisioning is required due to change in the status of the account.

### **Acknowledgements**

The Board of Directors places on record its gratitude to the Reserve Bank of India, Ministry of Corporate Affairs, Securities and Exchange Board of India, other Statutory and Regulatory Authorities, Financial Institutions, Stock Exchanges, Registrar and Share Transfer Agent, Debenture Trustees, Depositories and Correspondent Banks for their continued support and guidance.

The Board also places on record its appreciation to the Shareholders of the Bank for their continued support and to its valued customers for their continued patronage.

The Board also expresses its deep sense of appreciation to all the employees of the Bank for their strong work ethics, excellent performance, professionalism, teamwork, commitment and initiatives which has led to the Bank reinforcing its customer centric image and making commendable progress in today's challenging environment.

For and on behalf of the Board of Directors

Dr. Sanjiv Misra  
Chairman

Place: New Delhi  
Date: 22<sup>nd</sup> May 2019