Management's Discussion and Analysis

MACRO-ECONOMIC ENVIRONMENT

After a steady start, the global growth slowed notably towards the second half of fiscal 2019 as the macro environment became increasingly challenging. The trade related uncertainty has hurt China and other allied supply chain economies, including Japan. The Euro area economy has also moderated with demand for cars weakening, fiscal concerns in Italy and reform backlash in France. Growth in the US continued to be supported by fiscal stimulus, but expectations going ahead are weaker. Most global central banks have responded to this: the US Fed and the ECB have ruled out rate hikes in 2019 and signalled slower withdrawal of Quantitative easing liquidity.

Although India's macro fundamentals (balance of payments, inflation, etc.) have remained broadly stable, the growth momentum has rapidly deteriorated. Official estimates of fiscal 2019 growth have been lowered to 6.8%, and Q4 FY19 prints of industrial and export activity continue to remain weak. This is particularly evident in shrinking commercial and passenger vehicle sales. The key concern lies in a reversal of the nascent capex revival witnessed earlier in fiscal 2019. The capital goods segment in the Index of Industrial Production (IIP) was seen to be reviving in recent quarters, but this has also come off.

Noting the weaker growth conditions and benign inflation trajectory ahead, the MPC cut the repo rate 50 bps sequentially in February (and then in early April), reversing all the tightening of 2018. However, the stance was maintained at neutral, given the near term risks.

Bank credit growth, despite moderating capex, has remained strong, but this largely reflects diversion of credit from NBFCs. RBI data indicates aggregate credit growth in fiscal 2019 from all intermediaries, including NBFCs, remained lower than in fiscal 2018.

PROSPECTS FOR FISCAL 2020

The IMF had earlier revised 2019 global growth projection down to 3.3%, the weakest since 2009. This is likely to further moderate. US trade frictions with a number of countries (especially China), Brexit and geopolitics are also likely to keep financial markets volatile and hold back investments across major economies, although oil might.

India growth is unlikely to improve significantly in the near term, particularly if exports and private investment underperform. RBI forecasts fiscal 2020 GDP growth at 7.2%, but this will be contingent on assumptions of financial market stability and credit flows, as well as a normal monsoon.

RBI further revised lower its inflation projections, with CPI inflation now forecast below 4% for the rest of fiscal 2020, although H2 numbers are likely to creep higher. With crude oil now reverting back toward $60/barrel on weaker global demand expectations, a major inflation source is likely to remain moderate. Risks remain, with food prices already trending higher, and potential fiscal slippage especially in state budgets.

With the growth – inflation mix outlined above, monetary policy is likely to retain a fairly strong easing bias in fiscal 2020. We expect another repo rate cut in early June. The monetary policy focus in the near term is likely to be on transmission, with liquidity infusions, but if inflation remains benign, there is room for further cuts in the repo rate. However, this view is subject to a measure of fiscal consolidation. Relatively stable macros imply stability of the Rupee, but global economic and political risks might lead to volatility in foreign exchange and interest rate markets. India's twin deficits – fiscal and Current Account – could still lead to some market volatility, driven by the outlook on fiscal slippages.

Bank credit growth is likely to sustain around 12 – 13% in fiscal 2020, based on the above assumptions of moderate growth, capex improvement, gradually normalising credit markets and monetary policy easing.

OVERVIEW OF FINANCIAL PERFORMANCE

Operating performance

(₹ in crore)

Particulars	2018-19	2017-18	% change
Net interest income	21,708	18,618	17%
Non-interest income	13,130	10,967	20%
Operating revenue	**34,838**	**29,585**	**18%**
Operating expenses	15,833	13,990	13%
Operating profit	**19,005**	**15,595**	**22%**
Provisions and contingencies	12,031	15,473	(22%)
Profit before tax	**6,974**	**122**	**-**
Provision for tax	2,297	(154)	-
Net profit	**4,677**	**276**	**-**

Net profit for the year ended 31 March, 2019 increased and stood at ₹4,677 crore, as compared to the net profit of ₹276 crore last year, primarily on account of higher revenue driven by net interest income, recoveries and lower provisions for non-performing assets (NPAs). Operating profit reported a healthy growth of 22% over the previous year to ₹19,005 crore with core operating profit growth of 29%.

Operating revenue increased by 18% YoY from ₹29,585 crore in fiscal 2018 to ₹34,838 crore in fiscal 2019. Net interest income (NII) rose 17% from ₹18,618 crore in fiscal 2018 to ₹21,708 crore in fiscal 2019. Non-interest income consisting of fee, trading and other income increased by 20% from ₹10,967 crore in fiscal 2018 to ₹13,130 crore in fiscal 2019.

Operating expenses rose 13% from ₹13,990 crore in fiscal 2018 to ₹15,833 crore in fiscal 2019 as the Bank continued to invest in branch infrastructure, technology and human capital to support its business growth. Healthy growth in operating revenues along with comparatively lower growth in operating expenses this fiscal led to a growth in the Bank's operating profit by 22% to ₹19,005 crore from ₹15,595 crore reported last year. Provisions and contingencies declined by 22% from ₹15,473 crore in fiscal 2018 to ₹12,031 crore in fiscal 2019. Consequently, profit before taxes increased to ₹6,974 crore and net profit increased from ₹276 crore in fiscal 2018 to ₹4,677crore in fiscal 2019.

Net interest income

(₹ in crore)

Particulars	2018-19	2017-18	% change
Interest on loans	41,322	34,137	21%
Interest on investments	11,349	9,983	14%
Other interest income	2,315	1,660	39%
Interest income	**54,986**	**45,780**	**20%**
Interest on deposits	23,708	19,174	24%
Other interest expense	9,570	7,989	20%
Interest expense	**33,278**	**27,163**	**23%**
Net interest income	**21,708**	**18,618**	**17%**
Average interest earning assets[1]	632,690	541,127	17%
Average CASA[1]	202,733	179,731	13%
Net interest margin	3.43%	3.44%	-
Yield on assets	8.68%	8.44%	-
Yield on advances	9.44%	9.12%	-
Yield on investments	7.28%	7.14%	-
Cost of funds	5.43%	5.15%	-
Cost of deposits	5.12%	4.89%	-

[1] computed on daily average basis

NII constituted 62% of the operating revenue, and increased by 17% from ₹18,618 crore in fiscal 2018 to ₹21,708 crore in fiscal 2019. The increase is primarily due to an increase in average interest earning assets on a daily average basis by 17%.

During this period, the yield on interest earning assets increased from 8.44% last year to 8.68%. The yield on advances increased by 32 bps from 9.12% in fiscal 2018 to 9.44% in fiscal 2019 primarily due to lower interest reversals on NPAs and increase marginal cost of funds based lending rate (MCLR) by 50 bps in fiscal 2019. The yield on investments increased by 14 bps during the fiscal 2019. Cost of funds increased by 28 bps from 5.15% in fiscal 2018 to 5.43% in fiscal 2019. During the year, the Bank widened its focus from CASA deposits to CASA plus Retail term deposits (RTD) as part of its overall deposits strategy. As a result, the cost of deposits increased to 5.12% from 4.89% last year, primarily due to increase in cost of term deposits by 22 bps to 7.13% from 6.91% last year. CASA and RTD deposits together, on a daily average basis, reported a healthy increase of 17% to ₹368,017 crore from ₹315,710 crore last year.

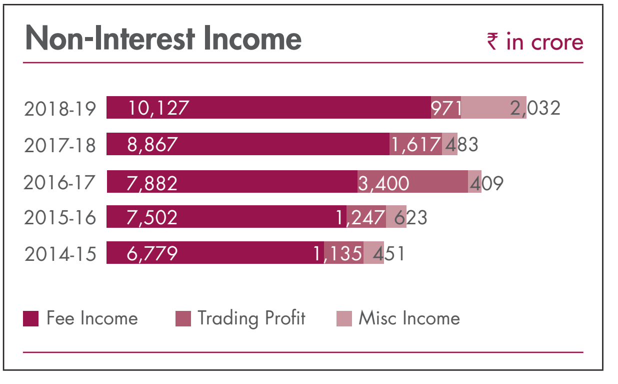
Non-interest income

(₹ in crore)

Particulars	2018-19	2017-18	% change
Fee income	10,127	8,867	14%
Trading profit	971	1,617	(40%)
Miscellaneous income	2,032	483	320%
Non-interest income	**13,130**	**10,967**	**20%**

Non-interest income comprising fees, trading profit and miscellaneous income increased by 20% to ₹13,130 crore in fiscal 2019 from ₹10,967 crore last year and constituted 38% of the operating revenue of the Bank.

Fee income increased by 14% to ₹10,127 crore from ₹8,867 crore last year and continued to remain a significant part of the Bank's non-interest income. It constituted 77% of non-interest income and contributed 29% to the operating revenue. The share of granular fees comprising of Retail and Transaction Banking fees witnessed improvement during the year, and stood at 80% compared to 75% last year. Retail card fees, Retail non-card fees and Transaction Banking fees constituted 24%, 37% and 19%, respectively of the total fee income in fiscal 2019. The Corporate Banking fee growth improved during the year as the Bank's continued focus on better rated corporate clients. The share of Corporate fee in the overall fee profile stood at 13%. The rest 7% was contributed by Treasury, and SME segments.



During the year, proprietary trading profits decreased by 40% to ₹971 crore from ₹1,617 crore last year mainly on account of lower profits on SLR and bond portfolio in fiscal 2019 compared to fiscal 2018.

During the year, Bank sold stake in Max Life Insurance Company and National Securities Depository Limited which led to gain of ₹342 crore.

The Bank's miscellaneous income was higher at ₹2,032 crore compared to ₹483 crore in fiscal 2018, mainly on account of recovery in written off accounts. The Bank recovered ₹1,867 crore in fiscal 2019 from written off accounts, compared to ₹183 crore in fiscal 2018. Recoveries primarily came from the iron and steel sector.

Operating revenue

The operating revenue of the Bank increased by 18% to ₹34,838 crore from ₹29,585 crore last year. The core income streams (NII and fees) constituted 91% of the operating revenue, reflecting the stability of the Bank's earnings.

Operating expenses

(₹ in crore)

Particulars	2018-19	2017-18	% change
Staff cost	4,747	4,313	10%
Depreciation	710	568	25%
Other operating expenses	10,376	9,109	14%
Operating expenses	**15,833**	**13,990**	**13%**
Cost : Income Ratio	**45.45%**	**47.29%**	**-**
Cost : Asset Ratio	**2.13%**	**2.17%**	**-**

The operating expenses growth for the Bank moderated during the year to 13% as compared to 15% last year as the Bank continued to focus on controlling expenses. However, the Bank continues to invest in expanding branch network and other infrastructure required for supporting the existing and new businesses, as a result of which the operating expenses increased to ₹15,833 crore from ₹13,990 crore last year. The Operating Expenses to Assets ratio stood at 2.13% compared to 2.17% last year.

Staff cost increased by 10% from ₹4,313 crore in fiscal 2018 to ₹4,747 crore in fiscal 2019, primarily on account of increase in employee strength from 59,614 as at end of fiscal 2018 to 61,940 as at the end of fiscal 2019.

Other operating expenses increased by 14% from ₹9,109 crore in fiscal 2018 to ₹10,376 crore in fiscal 2019. The increase is primarily due to investments in branch infrastructure and technology to support business growth. The Bank added 347 branches during fiscal 2019.

Operating profit and Core-operating profit

During the year, the operating profit of the Bank increased by 22% to ₹19,005 crore from ₹15,595 crore last year and core operating profit increased by 29% to ₹18,034 crore from ₹13,978 crore during the same time.

Provisions and contingencies

(₹ in crore)

Particulars	2018-19	2017-18	% change
Provision for non-performing assets	10,221	16,598	(38%)
Provision for restructured assets/SDR/S4A	(20)	(307)	(93%)
Provision for standard assets including unhedged foreign currency exposure	829	(144)	-
Provision for depreciation in value of investments	300	(211)	-
Provision for country risk	-	(20)	-
Provision for other contingencies	701	(443)	-
Provisions and contingencies	**12,031**	**15,473**	**(22%)**

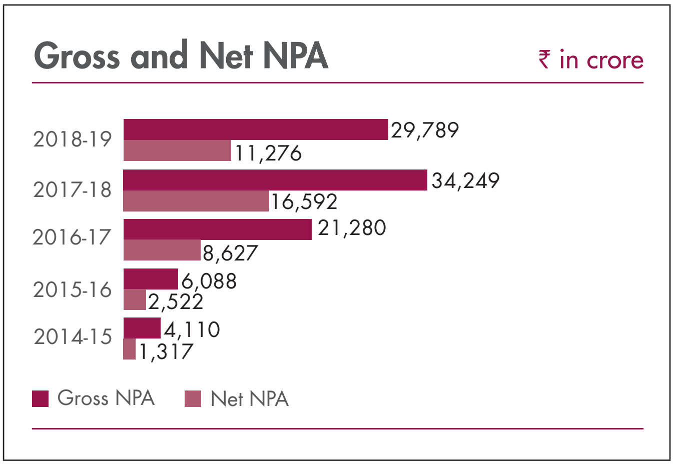
During fiscal 2019, the Bank created total provisions (excluding provisions for tax) of ₹12,031 crore compared to ₹15,473 crore last year. The Bank provided ₹10,221 crore towards non-performing assets compared to ₹16,598 crore last year and ₹829 crore were provided for standard assets including provision for unhedged foreign currency exposure compared to ₹144 crore written back last year. The credit costs for fiscal 2019 stood at 1.91%, 166 bps lower than that of 3.57% witnessed in fiscal 2018.

During the year, the Bank has started maintaining standard asset provision on outstanding corporate standard advances rated 'BB and Below' and all SMA-2 advances as reported to CRILC, at rates that are higher than those prescribed by RBI. Provision for standard assets made during the year includes provision ₹378 crore on these categories of weak standard advances. Provision for other contingencies includes a provision of ₹605 crore on non-banking assets acquired in satisfaction of claims.

As a result of above, provisions and contingencies for the year is lower by ₹3,442 crore with a consequent increase to the profit before tax.

Asset Quality Parameters

The asset quality metrics improved during the fiscal, with slippages having moderated significantly from the highs witnessed last fiscal and consequent reduction in NPA ratios. During the fiscal, the quantum of low rated pool of BB and below accounts reduced materially and stood at ₹7,467 crore as compared to ₹8,994 crore at the end of fiscal 2019. The Bank added ₹6,204 crore of corporate slippages during the year, of which 87% came from lower rated "BB and below" pool.



The Bank added ₹13,871 crore as fresh addition to Gross NPAs during the fiscal year with the Bank's ratio of Gross NPAs to gross customer assets decreasing to 5.26%, at the end of March 2019 from 6.77% as at end of March 2018.

The Bank added ₹4,770 crore to Net NPAs after adjusting for recoveries and upgradations of ₹4,027 crore and ₹5,074 crore respectively and the Bank's Net NPA ratio (Net NPAs as percentage of net customer assets) decreased to 2.06% from 3.40%.

The Bank's provision coverage has increased during the fiscal and stood at 77% after considering prudential write-offs. The Bank's accumulated prudential write off pool stood at ₹18,772 crore as at end of fiscal 2019 with ₹7,691 crore being written off in the last year.

Key ratios

Particulars	2018-19	2017-18
Basic earnings per share (₹)	18.20	1.13
Diluted earnings per share (₹)	18.09	1.12
Book value per share (₹)	259.27	247.20
Return on equity (%)	8.09%	0.53%
Return on assets (%)	0.63%	0.04%
Net interest margin (%)	3.43%	3.44%
Profit per employee (₹ lakh)	7.61	0.47
Loan to Deposit ratio (Domestic)	83.55%	85.50%
Loan to Deposit ratio (Global)	90.21%	96.92%

Basic Earnings Per Share (EPS) was ₹18.20 compared to ₹1.13 last year, while the Diluted Earnings Per Share was ₹18.09 compared to ₹1.12 last year. Return on Equity (RoE) and Return on Assets (RoA) improved during the year and stood to 8.09% and 0.63% respectively. Book Value per Share increased by 5% to ₹259.27 from ₹247.20 last year. Profit per Employee stood at ₹7.61 lakh.

Loan to Deposit ratio of the Bank as on 31 March, 2019 was at 90.21% with a domestic CD ratio of 83.55%.

Balance Sheet parameters

Assets

(₹ in crore)

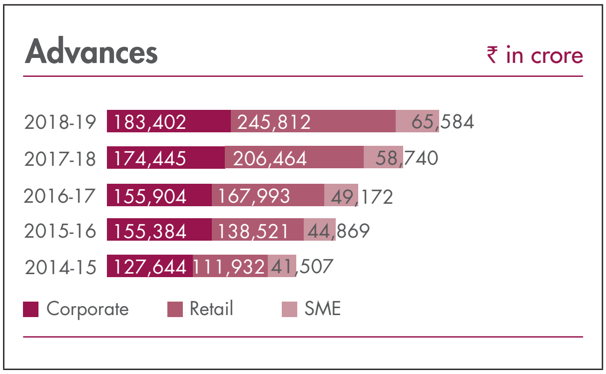
Particulars	2018-19	2017-18	% change
Cash and bank balances	35,099	35,481	(1%)
Government securities	120,239	104,053	16%
Other securities	54,730	49,823	10%
Total investments	**174,969**	**153,876**	**14%**
Retail advances	245,812	206,464	19%
Corporate advances	183,402	174,446	5%
SME advances	65,584	58,740	12%
Total advances	**494,798**	**439,650**	**13%**
Fixed assets	4,037	3,972	2%
Other assets[1]	59,988	50,377	19%
Total assets	**800,997**	**691,330**	**16%**

[1] includes Priority Sector Lending deposits of ₹28,162 crore (previous year ₹21,479 crore)

Total assets increased by 16% to ₹800,997 crore as on 31 March, 2019 from ₹691,330 crore on 31 March, 2018, driven by 13% and 14% growth in advances and investments, respectively.

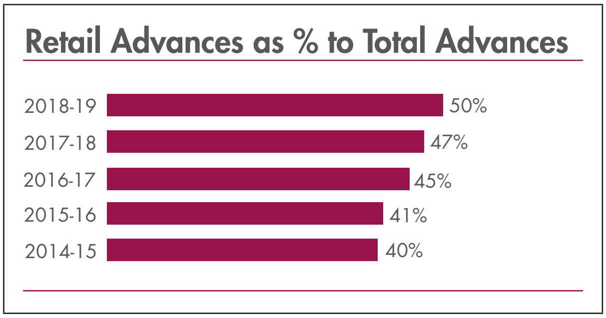
Advances

Total advances of the Bank as on 31 March, 2019 increased by 13% to ₹494,798 crore from ₹439,650 crore as on 31 March 2018, largely driven by healthy growth in the Retail segment. Corporate advances comprised 37% of total loans and grew by 5% to ₹183,402 crore, Retail loans comprised 50% of total loans and grew by 19% to ₹245,812 crore; and the SME loans constituted 13% of total loans and grew by 12% to ₹65,584 crore.



Domestic advances of the Bank as on 31 March, 2019 grew by 18% to ₹456,683 crore from ₹385,885 crore as on 31 March 2018. Further, Domestic corporate advances of the Bank as on 31 March, 2019 increased by 17% to ₹155,421 crore from ₹132,591 crore as on 31 March 2018.

The retail lending growth was led by auto loans, personal loans, and credit cards. Mortgages continue to grow slower than the retail lending growth. Home loans remain the largest retail segment and accounted for 38% of retail loans, loans against property 8%, personal loans and credit cards were 17% and auto loans 11%, while non-schematic loans comprising loan against deposits and other loans accounted for 6%.



Investments

The investment portfolio of the Bank increased by 14% to ₹174,969 crore, of which investments in Government and approved securities, held mainly for SLR requirement, increased by 16% to ₹120,239 crore. Other investments, including corporate debt securities, increased by 10% to ₹54,730 crore. 86% of the government securities has been classified in the HTM category, while 79% of the bonds and debentures portfolio has been classified in the AFS category.

Liabilities and shareholder's funds

(₹ in crore)

Particulars	2018-19	2017-18	% change
Capital	514	513	-
Reserves and Surplus	66,162	62,932	5%
Total shareholder's funds	**66,676**	**63,445**	**5%**
Deposits	548,471	453,623	21%
- Current account deposits	89,265	95,650	(7%)
- Savings bank deposits	154,129	148,202	4%
- **CASA**	**243,394**	**243,852**	**-**
- Retail term deposits	198,914	137,795	44%
- Non-retail term deposits	106,163	71,976	47%
- **Total term deposits**	**305,077**	**209,771**	**45%**
Borrowings	152,776	148,016	3%
- In India	83,037	76,096	9%
- Infra bonds	16,705	13,705	22%
- Outside India	69,739	71,920	(3%)
Other liabilities and provision	33,073	26,246	26%
Total liabilities and shareholder's funds	**800,997**	**691,330**	**16%**

Deposits

The total deposits of the Bank increased by 21% to ₹548,471 crore against ₹453,623 crore last year. Savings Bank deposits reported a growth of 4% to ₹154,129 crore, while Current Account deposits reported decrease of 7% to ₹89,265 crore. As on 31 March, 2019, low-cost CASA deposits stood at ₹243,394 crore as compared to ₹243,852 crore last year, and constituted 44% of total deposits as compared to 54% last year. Savings Bank deposits on a daily average basis, increased by 16% to ₹138,727 crore, while Current Account deposits reported a growth of 6% to ₹64,006 crore. The percentage share of CASA in total deposits, on a daily average basis, was at 43% compared to 46% last year.

This year the Bank significantly ramped up its focus on retail term deposits. As on 31 March, 2019, the retail term deposits grew 44% and stood at ₹198,914 crore, constituting 65% of the total term deposits compared to 66% last year. As on 31 March, 2019, CASA and retail term deposits constituted 81% of total deposits.

Borrowings

The total borrowings of the Bank increased by 3% from ₹148,016 crore in fiscal 2018 to ₹152,776 crore in fiscal 2019. Domestically, the Bank raised ₹3,000 crore through Infrastructure bonds during the fiscal. The outstanding balance in long term infrastructure bonds as on 31 March, 2019 was ₹16,705 crore.

Capital Management

The Bank continues its endeavour for greater capital efficiency and shoring up its capital adequacy to enhance shareholder value. During the year, the Bank has been focusing on increasing the proportion of lower Risk Weighted Assets (RWA). The Bank's RWA to Total Asset's ratio improved from 75% as at the end of Mar'18 to 69% at the end of Mar'19.

During the year, the Bank's capital consumption was modest, driven by improvement in RWA intensity. During the year, the Bank debited reserves for provision towards non-banking assets resulting in impact of 29 bps on Tier 1 CAR. Also the RBI guidelines on creation of Investment Fluctuation Reserve resulted in 11 bps impact on Tier 1 capital. Further the growth consumed 90 bps of Tier 1 CAR, profit (net of dividend) contributed 80 bps making for a net consumption of 50 bps of Tier 1 CAR for the year.

The Bank's capital position continues to be strong and is sufficiently robust for it to pursue growth opportunities.

The Bank's overall capital adequacy ratio (CAR) under Basel III stood at 15.84% at the end of the year, well above the benchmark requirement of 9.00% stipulated by Reserve Bank of India (RBI). Of this, the Common Equity Tier I (CET I) CAR was 11.27% (against minimum regulatory requirement of 5.50%) and Tier I CAR was 12.54% (against minimum regulatory requirement of 7.00%). As on 31 March, 2019, the Bank's Tier II CAR under Basel III stood at 3.30%.

The following table sets forth the capital, risk-weighted assets and capital adequacy ratios computed as on 31 March, 2019 and 31 March, 2018 in accordance with the applicable RBI guidelines under Basel III.

(₹ in crore)

Particulars	2018-19	2017-18
Tier I capital	69,238	67,476
Tier II capital	18,221	18,299
Out of which		
- Tier II capital instruments	14,450	16,035
- Other eligible for Tier II capital	3,771	2,264
Total capital qualifying for computation of capital adequacy ratio	**87,460**	**85,775**
Total risk-weighted assets and contingencies	**552,048**	**517,631**
Total capital adequacy ratio	**15.84%**	**16.57%**
Out of above		
- Common equity tier I capital ratio	11.27%	11.68%
- Tier I capital ratio	12.54%	13.04%
- Tier II capital ratio	3.30%	3.53%

BUSINESS OVERVIEW

An overview of the Bank's various business segments along with their performance during financial year 2018-19 and future strategies is presented below.

Retail Banking

Over the years, the Bank has developed strong relationships with its customers by providing end to end financial solutions for their savings, payments and investments needs through multiple channels. The Bank's strong digital & technological capabilities, focused execution and wide distribution has helped it to gain market share and improve customer experience. During the financial year 2018-19, Retail segment contributed 81%, 50% and 61% of the Bank's deposits, advances and Fee Income respectively.

Retail Deposits

The Bank has clearly identified that deposit growth will drive its balance sheet growth. As a strategy the Bank has shifted its focus from CASA to CASA+RTD. The focus would be to increase penetration in existing Savings Account (SA) base to improve RTD growth and cross sell the Bank's SA products to its non-SA customers. SA segments like Priority, Burgundy, NRI and Government savings will be primary focus areas of the Bank. New SA customer acquisition to be driven by branches, through scaling up digital SA openings and also leveraging other platform businesses of the Bank.

Savings Bank deposits grew by 4% while the Retail Term Deposits (RTD) grew by 44% during the year. As on 31 March, 2019, the Bank had over 26 million savings account customers, registering a growth of 17%. Total Saving account and Retail Term Deposits grew by 23 % to ₹ 353,043 crore from ₹ 285,997 crore in the preceding year.

RTD has been a key driver in growing the retail deposit business. The year saw many new RTD offerings. The Credit Card against FD and overdraft facility against FD were initiatives which helped tackle the issue of premature closures to address liquidity needs for customers. Green Channel RTD was another initiative used to reduce TAT for Trust accounts. Acknowledging the growing impact of mobile, SMS based auto-renewal and other such features to remove friction in the system were introduced. Use of analytics to retain customers with more beneficial and personalized offers has also played a big part in the success of RTD products.

A concerted effort to serve customers better saw the Bank opening several new branches in the financial year. Branches continue to bring in cross sell and upsell opportunities for the Bank, with almost 48% of retail advances being sourced at branches. The Bank has an evenly distributed branch presence across various geographies catering to the needs of diverse customer groups.

During the year the Bank added 347 domestic branches/banking outlets and Nil offshore banking units. The Bank's geographical reach now extends to 29 states and 6 union territories, covering 2,366 centers and 665 districts. As on 31 March, 2019, the Bank had a network of 4,050 domestic branches/banking outlets as compared to 3,703 last year. Around 16% of the Bank's branches are in rural areas and 13% of the Bank's rural branches are in unbanked locations.

As on 31 March, 2019, the Bank had 11,801 ATMs. The Bank was the first private sector Bank to introduce recyclers, which can both accept and dispense cash. As on 31 March, 2019, the Bank had deployed 4,917 recyclers. The recycler handles 66% of the overall cash deposits at the Bank, leading to efficient use of Bank Staff.

Retail Lending

The Bank has grown its Retail Lending portfolio steadily and strongly with a CAGR growth of 23% over the last 5 years and currently stands at ₹245,812 crore as on 31 March, 2019, up 19% over last year. The Bank continued to increase its share of retail loans to total advances, which stood at 50% as compared to 47% last year.

The proportion of higher yielding Retail Lending products comprising mainly of Personal Loan, Credit Card, Small Business Banking (SBB) stood at 20% as on 31 March 2019 and has consistently increased over the years from 9% as on 31st March 2013. Of the total portfolio, home loans accounted for 38%, auto loans 11% and loans against property 9%. The Bank has been focussing on granularization of the retail loans portfolio, the unsecured retail loans stood at 19% of the total portfolio, with personal loans and credit cards accounting for 12% and 5%, respectively. Growth in Retail Lending was led by Personal Loans, Auto Loans and Small Business Banking Loans.

Building a strong digital channel – As a crucial imperative of establishing a strong digital footprint, the Retail Lending team took significant steps towards increasing the digital presence for loan products by creating a vertical to focus and develop this type of lending. In the first full-fledged year of operations, the digital share of the total business is now at 14.2% of the total sourcing of unsecured Personal Loans. The strong offshoots have shown the scalability of the channel along with the seamless customer experience and lower sourcing cost. The Bank will continue to invest and scale up this opportunity further.

Payments

Payments business plays four important roles in a Bank's strategy. It is the face of the franchise, increases customer engagement, drives profitability and partnerships. Retail electronic payments in India are growing at a tremendous pace, which has rubbed off positively on cards businesses. Cards business at Axis Bank has delivered consistent strong growth which has resulted in strong fee income contribution over the years. Significant headroom remains for continuing its strategy of acquiring cards customers from the Bank's existing deposit base.

Despite being a late entrant in payments solutions, the Bank today is ranked amongst the top players in the credit cards business. The Bank had over 5.96 million credit cards in force, making it the 4th largest credit card issuer in the country. The credit cards portfolio saw a substantial increase in spends by 40% to ₹62,083 crore from ₹44,329 crore last year. The Bank is one of the largest debit card issuers in the country, with a base of 24.51 million as on 31 March, 2019. The Debit Cards portfolio has seen an increase of 35% in spends from ₹32,927 crore in to ₹44,610 crore in FY19.

The Bank's merchant acquiring business continues to be one of the largest acquirers in the country with a base of 5,07,409 installed terminals of which 2,13,697 terminals are enabled for accepting contactless payments. In addition to scaling up the business, the Bank is also focused on scaling up the business profitably. The Bank is also using digital technologies like Bharat QR to drive high volume-low value payments acceptance use cases. From a merchant's perspective, the Bank is focused on making payments acceptance simpler and offer value added services that solve business problems.

Digital technologies today allow for several innovations in payments acceptance. During the year, Axis Bank in partnership with Signcatch launched the first of its kind "smart bill pay" initiative for New Delhi Municipal Corporation (NDMC). The solution allows customers to pay their utility bills by just scanning QR code on "personalised smiley fridge magnets" which are mapped to their consumer account number.

Digital Payments continues to be at the core of the Retail Banking strategy. UPI is growing tremendously and the Bank is leveraging UPI to attract non-Axis Bank customers. The Bank was among the early entrants to work closely with NPCI for UPI launch and continues that momentum for UPI 2.0 as well. UPI 2.0 has new features like Overdraft facility, One Time Mandate, Invoice in the

Inbox, Signed intent and QR. In addition to UPI 2.0, as per SEBI mandate, IPO investments (ASBA) will move completely to UPI in a phased manner and this new process would increase efficiency, eliminate the need for manual intervention at various stages, and is expected to reduce the time duration from issue closure to listing by up to 3 working days.

UPI has been dominating the peer-to-peer (P2P) payments space in the last two years. Going forward merchant acceptance (P2M) of UPI is set to expand and is expected to gain a substantial share of P2M payments. Total UPI on-boarded merchants today stands at more than 90,000.

The Bank has built a strong technology platform and developer friendly API's that allow partners, start-ups to plug & play Axis UPI on their mobile applications. The Bank has used this head start to its advantage by making this platform available to multiple partners like Google Pay, Amazon, Uber, Ola Cabs, Samsung Pay, LIC, IRCTC, Big Bazaar, etc. Today the Bank has a share of 11.1 % in UPI transactions, with over 32.58 million UPI IDs on-boarded.

Wealth

The Bank has built one of the best wealth management franchises among banks in the country. Since 2014, the revenues for the business have grown at 43% CAGR and the AUM at 31% CAGR to cross an overall AUM of ₹ 1,32,702 crore (~[US$ 19.19 billion]). The challenging investment environment notwithstanding, the business continued on its growth trajectory last year to grow the customer base by 12%. This year, Burgundy was re-positioned as the Wealth Management proposition for the affluent customers. The steady growth and healthy mix of the business has also resulted in the industry recognizing the Bank as a leading player in the wealth management industry. Axis Bank was ranked 4th largest amongst private banks and wealth management firms in India by Asian Private Banker in its 2017 India AUM league table.

As a part of the endeavour to provide an enriching banking experience to NRI customers and provide them seamless assistance in fulfilling their banking requirements, the Bank has introduced NRI Digital Relationship Managers who service customers' as per the local timings in their country of residence and aim to strengthen the relationship and create value for the customers as well as for the Bank.

Remittance business

Globally, inward remittance is a $600 Bn market with $69 Bn being transferred specifically to India (Source: World Bank, 2017). Customers are moving from brick and mortar modes to digital platforms to transfer funds. The top 10 digital players are contributing $80 Bn funds transfers globally.

The Bank offers a range of forex and remittances products to its retail customers, which include forex 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 and exchange houses. The Bank offers remittances facility to NRI customers through the Bank's Sri Lanka Branch and Axis Bank UK Ltd., for remittances to India. Additionally, the Bank offers remittances from Gulf Co-operation Council (GCC) region to Sri Lanka through tie-up with four exchange houses.

The Bank launched RemitMoney in November 2016 with the vision of making money transfers to India fast, economical, safe & seamless. Over the past 21 months the Bank has continuously reinvented at each and every step by listening to customers & building what they wanted. In October'18, the Bank launched the new RemitMoney website with an interactive interface and enhanced features. Some of the enhanced features include Instant money transfer (within 1 Hour) to India, 24x7 Customer support over chat, email and call, cashpoints reward program to increase loyalty, and scheduling future transfers. With thoughtful user experience design, the Bank has reduced the time taken to initiate the 1st transfer from 5 minutes to less than 1 minute and a 30 second time frame to initiate a repeat transaction.

The Bank continues to have a market leadership position in forex cards with 16 currency options other than INR being offered. Additionally, the Bank offers Miles & More Multi-Currency Forex Card in association with Lufthansa airline aimed at frequent flyers, an industry first in this segment.

Third Party Distribution

The Bank today is one of the leading distributors of mutual fund schemes in India and ranks among the top 5 distributors in terms of Assets under Management (AUM). The Bank distributes Mutual Funds schemes of 13 major Asset Management Companies, through its diversified branch network and digital channels based on a thorough analysis of the customers' lifecycle and investment requirements. The Bank has over 1 million mutual fund customers. The Bank won the Best Performing Bank – Private at the UTI Mutual Fund and CNBC TV18 Financial Advisor Awards 2017-18 and has been nominated for Wall of Fame year 2018-19.

The Bank also offers online trading services to its customers in collaboration with Axis Securities Ltd. (a 100% subsidiary of the Bank) under the name Axis Direct. Axis Direct crossed 2 million total customers during the year. The Bank has a tie up with Max Life and Life Insurance Corporation of India for distributing life insurance products. The Bank continues to provide the best choice of products across both insurance companies to cater to the financial security of Customers and has secured the lives of over 1.2 million customers since the inception of the partnerships.

In General Insurance, the Bank has a tie up with TATA AIG General Insurance Co. Ltd. (American International Group) and for Health Insurance with Apollo Munich Health Insurance Co. Ltd. Mutual Fund & Insurance Distribution contributed 19% of total retail bank fee income in FY 2018-19.

Strengthening the Traditional Digital Channels of Mobile & Internet Banking and Pioneering the New Age of Conversational Banking

The focus of the Bank has been on simplifying the journeys and offerings for its customers. The customers today desire instant gratification and seek to complete tasks across the plethora of channels that the Bank offers. Fully cognizant of this, Axis Bank has aggressively adopted the use of customer journey mapping and design thinking to help prioritize and deliver Omni-channel experiences across physical and digital assets.

In line with what customers sought, the Bank continued to add more features to its Mobile Banking and Internet Banking application, during the year. Some of the features include

- Pre-approved customers can get a credit card in a fully digitised process
- Pre-approved customers can get personal loans disbursed instantly into their account
- App is now enabled with face and touch ID for iOS mobile devices and has also integrated Axis Bank's virtual assistant, Axis Aha!
- The dashboard for Internet Banking was revamped reducing the time taken for users to login by almost 20%
- The Bank launched a new and revamped FD/RD journey that has resulted in reducing the time taken to book FD/RD by 12%.
- The Bank also launched its online investing platform, "Personal Finance Manager" (PFM), which helps customers invest in mutual funds in a quick and easy way. Customers can simply set their risk profile basis a few simple questions on the portal and choose funds through performance and risk ratings filters. Further the customers get a complete view of their investments.

These initiatives have yielded rich results. Axis Bank won the "Best Use of Digital & Channels Technology" at the IBA banking Technology Awards' 2018 and has also been awarded as the "Best Digital Bank" by Financial Express.

Mobile Banking

This year, Axis Mobile achieved the milestone of crossing a user base of 10 million registered users and has been ranked number 3 by mobile banking transactions volumes in December' 2019 as per data published by the RBI. Axis Mobile continues to trend upwards in terms of ranking with its global ranking improving from 32 to 14 (Source: 2018 Global Forrester Rankings). The app ratings on the Play Store and the App Store have also improved from 4.3 and 4.2 respectively in April 2018 to 4.6 in February 2019 on both the stores; making Axis Mobile as one of the highest rated banking apps.

Significant changes were made in Axis Aha! – Axis Bank's AI enabled conversational virtual assistant. Axis Aha!, which helps customers do their banking transactions and get answers to all their banking queries is available on the website (axisbank.com), Axis Bank support page and was introduced on the Mobile App too. Customers can simply chat in their daily conversational lingo or use their voice to enquire about the Bank's products, get their queries or complaints resolved, transfer funds, pay their bills or block their cards.

Axis Aha! has so far handled over 9.4 million interactions, conducted over 7,000 transactions and resolved 2,000 service requests. With Axis Aha!, customers can get their queries resolved in the shortest time. Axis Aha! has been awarded the prestigious IDC Digital Transformation Award for its innovativeness and utility.

Automation at various customer touch points

Empowering and enabling customers has been one of the ways the Bank aims to foster better relationships with customers. The Bank had a network of 11,801 ATMs and 4,917 cash recyclers as at end of March 2019. The Bank was the first in the industry to introduce cash recyclers. These handle 66% of cash deposits at branches now, freeing up the Bank staff to efficiently serve the other needs of the customers.

The Bank is increasing the digital footprint through various Self Service Kiosks for Speed Banking - a flagship initiative, Cheque Deposits and Passbook Printing. Walk in customers can do various financial and non-financial transactions on these kiosks. The Bank has added 190 passbook printing kiosks and 151 cheque deposit kiosks in fiscal 2018-19 and intends to keep increasing the digital footprint further.

Saksham, a pioneering initiative has expanded to all branches of the Bank. It's a unified platform for instant processing of service requests and financial transactions. With a 360 degree view of customer details across relationships, it is a unique tool for better customer engagement. It is also aimed at a 'service-to-sales' initiative with pre-approved product offerings at the servicing window. Saksham currently processes over 78 million transactions and 1.1 million service requests in straight through mode, annually.

The Bank has continued to reinforce its digital presence via mobility solutions. The deployment of 25,000+ on-field tablets has helped transform customer on-boarding experience across CASA, Credit cards & Micro-financing by reducing turnaround times & offering paperless solutions. The Bank's digital solution suite also includes Insta Servicing platform which offers paperless self-servicing options to customers. Presently 30 different types of servicing requests can be processed through this platform.

Wholesale Banking

The financial year 2018-19 has been a year of consolidation for the corporate segment with modest growth. The asset quality issues which have been affecting the banking sector in the last few years finally appeared to be coming under control with majority of the bad loans getting recognised and provided for. The year witnessed the resolution of a few large stressed accounts referred to NCLT under Insolvency and Bankruptcy Code resulting in better recovery for banks.

The credit offtake for the corporate segment improved marginally during financial year 2018-19 compared to previous fiscal. Notwithstanding the transient effects associated with the implementation of the Goods and Services Tax (GST) regime in the initial part of the year, the credit growth to industry had improved to about 14% by 2019 vis a vis 11% growth in March 2018. Credit growth has been witnessed in Infrastructure, Engineering, Chemicals, Oil and Gas segments while Basic Metal and Metal products, Textiles and Gems & Jewellery segments continued to reflect sluggish demand scenario. Services sector continues to reflect high growth.

The Bank is creating an integrated franchise by re-organising its existing coverage groups. The Bank has revamped its risk appetite and internal processes to ensure new lending business is of much healthier quality. The Bank's strategic focus in recent years has been towards building a higher rated lending book, increase the share of working capital loans and reducing the concentration risk.

The Corporate lending business in Axis Bank continued to emphasise doing business with higher rated corporates focussing on having higher share of the cash flows of these corporates through working capital facilities and Cash Management Services arrangements. The Bank also participated in some of the NCLT related resolution cases funding marquee groups and high rated corporates.

Approximately 95% of new sanctions in the corporate book were to companies rated 'A-' or better. Presently, 82% of outstanding standard corporate book is to companies rated 'A' and above. During the year, the share of working capital exposures to overall corporate loan book increased from 32% in 2018 to 34% in 2019.

Further Portfolio diversification through a sectoral approach to credit has helped the Bank to continue reducing the concentration risk.Concentration risk has seen a steady decline in the last few years with exposure to top 20 single borrowers as percentage of Tier-1 capital improving to 112% as on 31.03.2019 vis a vis at 121% as on end March 2018.

During the fiscal 2019, the Bank's corporate loan growth was 5% with working capital loans growing by 11% YOY. The Bank's domestic corporate loan book growth was strong with a YoY growth of 17%. The Bank continued to implement its strategy of de-growing the overseas loan book aligned to the focus shift of top business houses to tap opportunities in the domestic market.

The Wholesale Banking business continues to focus on customers such as the Government, Strategic, Large and Mid-Corporates, and SMEs. The Bank started new relationships as well as deepened relationships with many Navratnas and Maharatnas Public Sector Undertakings (PSUs) during the year as PSUs continue to remain focused client group for the Bank.

The Bank along with its subsidiaries addresses most of financial services requirements of a corporate be it borrowing, trade finance, cash management, remittances, investment banking, security services etc. The holistic approach has moved the Bank away from a sales based approach of offering corporate credit to providing an entire bouquet of products and services.

Treasury

The Bank's Treasury function comprises Asset Liability Management (ALM), Proprietary trading business in Interest rates & Equity, Foreign Exchange & Derivatives and Arrangership business.

The ALM group manages the regulatory requirements of Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (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 group is responsible for overall liquidity management of the domestic book and longer term liquidity management of the overseas branches across geographies.

The proprietary trading group deals in Government securities within Treasury, and plays an important role of market making, participating in primary auctions of RBI etc. The Bank also holds one of the largest Corporate bond investment portfolio with 98% of them rated 'A' and above, and also trades in money market instruments and Equity.

Forex Trading Group is a major participant in the Foreign Exchange and Derivatives market. It undertakes proprietary trading and market making in forex and derivatives products. It provides complete risk management and hedging solutions to retail and corporate customers and services institutional clients.

The Bank continues to remain a dominant player in the Debt Capital Market (DCM) segment. During the calendar year 2018, the Bank arranged bonds and debentures of ₹80,770 crore with a market share of 20% and ₹52,041 crore for March quarter end of calendar year 2019 with a market share of 32%. The Bank has been ranked number one in the Bloomberg league table for domestic bonds in India for the 12^{th} consecutive year for calendar year 2018.

During the year, the Bank was awarded Best DCM House in India by Finance Asia. The Bank was also ranked number one arranger – 'Investors' Choice for primary issues - Corporate bonds – INR' by The Asset Benchmark Research.

Transaction Banking

The Transaction Banking unit focuses on flow businesses, i.e. current accounts, collection & payments solutions, trade services, forex remittances and capital market solutions. It caters to corporates, SMEs, sole proprietors, financial institutions & government segment.

The key financial deliverables of the business are current account float balances and fee income. Current account balances de-grew from ₹95,650 crore as on 31 March, 2018 to ₹89,265 crore as on 31 March, 2019, a year on year decline of 7%. Daily average balances in current accounts grew 6%, from ₹60,154 crore in fiscal 2018 to ₹64,006 crore in fiscal 2019. The business generated a fee income of ₹1,936 crore in fiscal 2019, a growth of 10% year on year.

The key themes that the business has been focusing on are deepening share of wallet for existing clients, offering digital solutions as well as various collection & payment solutions to customers and enhancing 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 of the Bank to customers.

Current Accounts

The Bank has over 1.8 million current accounts and caters to the customers various requirements through a plethora of customized offerings. The Bank has made significant strides in embracing digital platforms and alternate channel migration. Further, the Bank continues to remain focussed on deepening the current account relationship by offering the right cross-sell products as per customers need across cash management solutions, tax payments, loans, trade & forex products.

Cash Management Solutions

The Bank provides comprehensive and customizable cash management solutions that enable faster fund movement by leveraging the Bank's extensive branch network backed by state-of-the-art technological systems. To provide a seamless experience to its customers, the Bank has integrated all its digital products onto its new Corporate Internet Banking platform. The Bank also provides digital bulk payment solutions that include front-end file-upload for various payments and ERP integration for corporates that engage in high number of transactions. While the Bank continues to drive strong collections business from its branch network, the Bank has launched new digital receivables management products focused on corporates and SME, enhancing the customer experience through modern standards of digital banking on web and mobile interfaces. The Bank has also enabled the facility of 24x7 access to end-customers towards National Automated Clearing House (NACH) mandate registration for regular collections with enhanced security via NetBanking authentication.

FasTag Project has been initiatied by NHAI in partnership with major banks with an objective of digitizing toll payments in the country. Axis Bank is one of the major banks in this business.

Government Business

The Bank has been authorised by Reserve Bank of India and Government of India (GOI) to handle all Government Banking transactions which includes the following:

- Collection of Direct taxes
- Collection of GST in all branches in online as well as offline mode
- Disbursement of Central Civil as well as Defence Pensions
- Accredited by Reserve Bank of India as one of the authorized bankers for the Ministry Of Urban Development, Ministry of Housing and Poverty Alleviation, Controller General of Accounts and Institute of Government accounts and finance

The Bank is a participating entity in the Government's Public Financial Management System (PFMS). PFMS monitors different social sector programmes in India and tracks the disbursement of funds in relation to such programmes, using an online management information system and decision support system. The Bank is also associated with the e-Governance initiatives of five states and union territories, namely Andhra Pradesh (e-Seva), Karnataka (Bangalore One and Karnataka One), Chandigarh UT (Sampark), Chhattisgarh (Chhatisgarh Online information system for Citizen Empowerment) and Uttar Pradesh (e-Suvidha), aimed at providing better services to the citizens. Further, the Bank is also involved in various digital initiatives of GOI which includes e-Procurement, e-mandi, e-nagarpalika, direct benefit transfers, smart city, online payment gateways and cashless initiatives through various modes.

Axis Bank is among the leading banks in the country in digital banking and driving partnership-driven innovation in the space, actively contributing to India's key developmental initiatives such as Smart Cities Mission, Digital India, Government e-Marketplace and Electronic National Agriculture Market (eNAM). It also continues to work on diverse digital mandates with multiple state governments to scale up e-governance and expand e- citizen services. During the year, the Bank launched the "One Raipur" smart card and its associated digital ecosystem under the Raipur Smart City project. Its digital banking partnerships with the Kochi Metro and Bangalore Metropolitan Transport Corporation continued to expand during the year.

Trade, Forex and risk management Services

The Bank offers a complete suite of Trade finance and foreign exchange business solutions through Forex "B" category branches spread across the country. The Bank also offers a variety of hedging solutions such as exchange and interest rate derivative structures, including forwards, options and swaps in accordance with the regulatory guidelines and derivative policy of the Bank. In addition to the services offered through the branch and subsidiary network spread across India, the Bank also leverages its tie-ups with reputed correspondent banks across the world to offer these services to overseas customers.

Axis is one of the few private sector banks that has been on-boarded as advisory bank in Government e-Marketplace (GeM). This tie-up enables the Bank to offer automated solutions for advising electronic performance guarantees (e-PBG) to Government departments /organisations /PSUs with value added features like integrated responses and faster turnaround time.

Custodial and Capital Market Services

The major activities undertaken by the Capital Market Division are fund based and non-fund based credit facilities, clearing bank activities, Professional Clearing Member Services (PCM), NSCCL custodian services, fund accounting services, IPOs, dividend distribution & escrow services.

The Bank acts as a clearing bank and professional clearing member across exchanges in India providing clearing member services and funds clearing solutions to exchange members. The Bank is also a SEBI registered custodian of securities, servicing various segments of clients viz. Foreign Portfolio Investors, Foreign Direct Investors, Portfolio Management Service Providers, and Foreign Venture Capital Investors etc. Assets under custody services as at end of fiscal 2019 stood at ₹61,303 crore, up from ₹58,224 crore in fiscal 2018.

Lending to Small and Medium Enterprises

SMEs are the backbone of our economy, play a pivotal role in employment generation and contribute significantly to overall economic activity. As per MSME Annual Report 2017-18 issued by Ministry of MSME GOI, there are an estimated 63.3 million MSME units across the Country creating 111 million jobs. With the Indian economy emerging as one of the leading economies of the World, major impetus is being given to strengthen the SME sector.

The Bank is committed towards providing timely, adequate and hassle free business solutions to SME Sector. The Bank has created a bouquet of lending products offering Working Capital, Term Loan, Trade Finance, Project Finance and Bill / Invoice Discounting etc to meet the dynamic credit needs of MSMEs across the Country. The Bank has a strong network across the country offering best in class service through 78 dedicated SME Centres and more than 3,900 Branches.

The Bank has created a dedicated SME business unit to have a focussed approach towards the SME Sector, comprising of three business verticals namely Medium Enterprises Group (MEG), Small Enterprises Group (SEG) and Supply Chain Finance (SCF). The SME Business in the Bank continues to focus towards lending to the Priority sector (PSL) and is a significant contributor to the Bank's overall PSL portfolio. During the fiscal, the Bank's SME advances grew at 12% to ₹65,584 crore from ₹58,740 crore last year. The SME portfolio of the Bank constituted 13% of the Bank's total advances as on 31 March, 2019.

The Bank sees immense potential for growth in the SME sector across the country. The Bank has been taking several initiatives to support the growth and development of MSME sector. The Bank organises "Evolve" series - an educational initiative for SMEs every year. The series is now regarded as a signature initiative of Axis Bank in building SME capacity. The 5th edition of Evolve was organised this year around the concept "Unlocking Growth through Innovation" in 31 cities across the Country where more than 3,200 SMEs participated.

To recognize the efforts and contributions of SMEs, Axis Bank has joined hands with the India SME Forum to felicitate successful SMEs through INDIA SME 100 Awards, which is considered as one of the most prestigious awards in the SME fraternity. With this association, the Bank hopes to inspire able SMEs that have the potential to be world class enterprises and offer a platform to promote to their partners, investors and collaborators and ensure long term sustainable growth.

There has been a lot of focus to encourage the SME sector to go digital. With strong processes and robust IT support, Axis Bank is well poised to drive this digital transformation and create an enabling environment for our esteemed customers.

Asset quality in the SME segment has remained stable with strong focus on sourcing high rated customers. The Bank also has effective monitoring and Early Warning Systems in place which help to take corrective action when necessary.

Business Intelligence Unit

The Bank has invested in a centralized Business Intelligence Unit that provides analytical services to various functions of the Bank. The BIU team monetizes data assets of the Bank for risk management, growth, and operational optimization. Over the years, the Bank has invested in 3 key pillars – adoption of analytics culture; robust data assets and technology; and right people and skill mix, to build a world class Analytics team. There are 300+ members in the dedicated analytics team, who are young, techno-functional and continuously evolving their skillsets.

BIU continues to focus in Artificial Intelligence (AI) & Machine Learning (ML) along with traditional analytics in decision making of different businesses across Retail and Wholesale Bank. BIU team has many use cases live on its newly created Big Data Lake infrastructure, which allows the Bank to implement customer centric real time analytical solutions. The Big Data Lake platform will become the mainstream analytics engine for the Bank in the next 18-24 months providing significant advantages over current analytics infrastructure.

The Bank has multiple customer centric AI solutions like "simplified transaction narrations" live on the Axis Mobile Banking platform. Computer vision algorithms are helping the Bank to solve critical use cases in the fields of Human Resource and Operational Risk management like ATM Skimming. The BIU's ML algorithms are providing incremental ability to predict customer affluence and product needs over traditional models and are currently in different phases of deployment.

The Bank is expecting its first analytical cloud application for decision making, to go live soon after requisite Information Security testing. At Axis Bank, we expect our investments in the areas of AI, ML, Cloud and Big Data to start providing meaningful competitive advantage in the coming years.

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 continues to focus on refining and improving its risk measurement systems including automation of processes, not only to ensure compliance with regulatory requirements, but also to ensure better risk-adjusted return and optimal capital utilisation. The Board reviews the risk profile of the Bank at periodic intervals and ensures that risk levels are within the defined risk appetite.

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) supervise 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 Governance Committee (SGC), Information Security Committee (ISSC), Central Outsourcing Committee (COC) and Business Continuity Planning Management Committee (BCPMC) 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 is to maintain asset quality and concentrations at individual exposures as well as at the portfolio level.

Internal rating forms the core of the risk management process for wholesale lending businesses with internal ratings determining the acceptability of risk, maximum exposure ceiling, sanctioning authority, pricing decisions and review frequency. For the retail portfolio including small businesses and small agriculture borrowers, the Bank uses different product-specific scorecards. Large, risky or complex exposures require to be independently vetted by the risk department for each incremental transaction whereas small, templated exposures are extended within the approved product policies. 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.

Credit models used for risk estimation are assessed for their discriminatory power, calibration accuracy and stability independently by a validation committee.

During the year the Bank has brought greater alignment in bank level risk appetite and the operational limits. The key risk metrics are monitored regularly and deviations are discussed with business to decide on the course of remedial action. Overall credit governance structure and processes have been strengthened to ensure credit quality on an ongoing basis.

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 provide 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 clearly 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 board approved Market Risk appetite 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 a 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 (ALM) 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 ALM policy captures the liquidity risk appetite of the Bank and related governance structures as defined in the Risk Appetite Statement.

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 are reviewed by the Bank's ALCO and the Risk Management Committee of the Board.

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 a 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.

All new products and processes, as well as changes in existing products and processes are subjected to risk evaluation by the Operational Risk team. The overall responsibility of new products is vested with the Risk Department through the Bank's Product Management Committee and Change Management Committee. Outsourcing arrangements are examined and approved by the Bank's Outsourcing Committee after due recommendations from the Operational Risk team. 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 across all business lines. Over the year, the Bank has focused on strengthening the operational and information security risk frameworks by implementing several initiatives.

The Business Continuity Planning Management Committee (BCPMC) 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.

Subsidiary Governance

The oversight of Subsidiaries is an essential element for the implementation of robust corporate governance across group entities and is an integral feature of a well-managed business, capable of creating value through enhanced reputation and investor confidence. Towards this objective, the Bank has implemented an integrated subsidiaries governance framework through the Subsidiaries Governance Committee to align governance practices at Axis Group level which is overseen by the Board and Board level committees. The governance framework encompasses group level alignment of key functions such as risk, compliance, audit, human resources, corporate communication, marketing and finance frameworks to achieve group synergy and optimally leverage business opportunities. The framework is supplemented by a set of policies including inter alia, Policy for Oversight of Subsidiaries, Arm's Length Policy, Subsidiary Risk Management Policy etc. for operationalization of the governance framework.

Information Technology and Cyber Security

The Bank has undertaken various technology enabled business initiatives to empower the Bank's journey towards driving sustainable growth and improving customer experience. During the year, a large scale IT transformation was undertaken augmenting our infrastructure to further build capabilities. The Bank upgraded its core systems for better scalability, stability and enhanced security.

In its effort to provide paperless customer onboarding using digital platforms, Bank had last year launched 'ASAP', an online account opening channel, where customers can open an account with their Aadhaar and PAN and get an account number within 3 minutes. Additionally, pre-approved customers can now apply for 'ICC', a virtual credit card which is issued instantaneously. The Bank's award winning Mobile Application has been further enhanced with the introduction of 'Axis AHA!', an Artificial Intelligence & Machine Learning powered conversational banking assistant on Axis Mobile (and website) allowing users to perform various financial and non-financial transactions.

Delivering on its digital-first vision, the Bank has partnered with the Government to implement 'SMART City', facilitating digital transactions by citizens, Government bodies and utility companies. With the launch of Smart City prepaid card, multi-lingual web portal and mobile application; its users will be able to make cashless payments of several services within the city and also consume city centric information.

With a view to drive innovations and customer delight, the Bank utilises an Artificial Intelligence engine to simplify transaction narrations in digital channels for better customer experience and understanding. Bank has also successfully used Artificial Intelligence and Machine Learning in various back office operations, greatly reducing manual intervention and improving both employee productivity and processing time. To leverage on analytics, fuelled by existing customer behaviour, providing precise predictive systems; Bank is building Data Lake infrastructure for discovery, analytics and Business Intelligence.

In order to drive seamless integration with partners, Bank's Open API (Application programming interface) and UPI (Unified Payments Interface) platform has been further enhanced to on-board merchants like Amazon Pay, Google Pay, Uber, Samsung Pay, etc. generating more business and driving volumes.

To improve Branch network and address infrastructure limitations in remote geographies, Bank has now empanelled all national level large reach providers and local broadband providers for improving the overall branch network uptime and efficiency.

The Bank has adopted a holistic cyber security program with a comprehensive Cyber Security Policy (CSP) and standards based on industry best practices with compliance to regulatory guidelines. The Bank has created its cyber security design and framework based on National Institute of Standards and Technology (NIST) standard. The Bank's cyber security framework is built around five fundamental areas including Identify, Protect, Detect, Respond and Recover. Bank is compliant to ISO27001 standard and PCI DSS standard. The Bank has a 24 X 7 Security Operations Centre and Cyber Security Operations System. Bank has augmented it cyber security capabilities during current year by deploying:

- Website Anti-Phishing monitoring solution,
- Email Anti-Spamming and Anti-Phishing solution,
- Dark Web deep insight monitoring capabilities and
- Adopting Cloud Security Framework.

Compliance

The Compliance function is one of the key elements in the Bank's corporate governance structure. It ensures strict observance of all statutory provisions in various legislations such as Banking Regulation Act, Foreign Exchange Management Act, Prevention of Money Laundering Act, Reserve Bank of India Act, etc. as well as the regulatory guidelines issued from time to time, the standards and codes prescribed by BCSBI, FEDAI, FIMMDA, etc. and also the Bank's internal policies and fair practice code. The Compliance function assists the Board and Top Management in managing the compliance risk, that is, the risk of legal or regulatory sanctions, financial loss or reputational loss that the Bank may suffer as a result of its failure to comply with the applicable laws, regulations or code of conduct applicable to banking activities.

The Bank is committed to adhere to the highest standards of compliance vis-à-vis regulatory prescriptions and internal guidelines. The Bank has a robust Compliance Policy, outlining the compliance philosophy of the Bank and roles & responsibilities of the Compliance Department. 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 aims to improve compliance culture within the Bank through various enablers like dissemination of regulatory changes, 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 any systemic correction required, based on its analysis and interpretation of the regulatory doctrine and the deviations observed during compliance monitoring and testing. 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 these 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 view to its Board of Directors and Senior Management on the quality and efficacy of the internal controls, risk management systems, governance systems and processes in place on an on-going basis. This is provided to primarily ensure that the business and support functions are in compliance 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 internal audit policy. The RBIA has been designed after factoring regulatory guidelines and also international best practices. The policy has a well-defined architecture for conducting RBIA across all audit entities. The audit policy articulates the audit strategy in terms of a concerted focus on strategic and emerging business risks. These inputs form a key step in the identification of the audit universe 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 evaluating the risk residing at the audit entities. Further to augment the internal audit function, concurrent audit and thematic audit reviews have been integrated into the internal audit process in order to make the function more robust.

The Internal Audit function of the Bank, operates independently under the supervision of the Audit Committee of the Board, thereby ensuring its independence. The Audit Committee of the Board reviews the efficacy of the internal audit function, effectiveness of the internal controls laid down by the Bank and compliance with internal and also regulatory guidelines.

Corporate Social Responsibility (CSR)

As one of India's largest private sector banks, Axis Bank's CSR and sustainability strategy has been to move forward in a manner that catalyses positive economic, social and environmental value creation for its stakeholders while ensuring sustainable profitability and growth for the organization. The Bank believes this can be achieved when its business is integrated with the success of its customers, progress of the communities it serves in, well-being of its employees and protection of its environment.

Through its business and non-business activities, the Bank endeavours to play its role in promoting economic development that is equitable and sustainable, and touches myriad sections of society through its products & services, business operations, corporate social responsibility and sustainability initiatives. As a leading financial institution, Axis Bank strives to facilitate financial flows to critical parts of the Indian economy with a strong socio-economic and environmental impact.

In alignment with the global sustainable development agenda, underscored by the UN Sustainable Development Goals and the Paris Agreement on climate change, Axis Bank has strived to enhance its 'sustainable financing' portfolio, lending to sectors such as renewable energy generation, mass rapid transport, and low carbon infrastructure development. In addition, through its Debt Capital Markets business, Axis Bank has helped marquee clients raise funds from global capital markets towards green financing.

To better manage the environmental and social risks related to its lending decisions and portfolio, Axis Bank adopted Sustainable Lending Policy and Procedures (SLPP), which works in tandem with its Corporate Credit Policy and applies to all new funding projects, subject to certain threshold criteria. SLPP draws from international frameworks including the Equator Principles and IFC Performance Standards.

In July 2018, the State of Kerala faced widespread flooding and large scale destruction of life and property due to heavy rainfall. Notwithstanding the massive relief operations, there were still families stranded at difficult to reach locations. Axis Sahyog, the Bank's microfinance unit, under the Rural Lending team, which has 32 operating branches in the state, launched project 'Axis Sahaayata' for providing immediate disaster relief to those unable to access government relief's operation.

In the first phase of the initiative, the Bank provided direct relief to 425 flood-affected families in Kottayam, Alappuzha, Palai and Vaikom areas, providing need-based relief items with Bank's employees supporting relief agencies in evacuation of people. During August 2018, when floods hit the state again, the entire microfinance team in the field supported evacuation and extending relief works to approximately 2,220 families, including providing school bags to children from five government schools.

During the year, Axis Bank released its first standalone sustainability report, its fourth overall, in accordance with the Integrated Reporting (IR) framework of the International Integrated Reporting Council. The Report continues to follow the reporting framework of the Global Reporting Initiative and is externally assured. The IR framework recognizes that organizational value is created throughout an organisation, and by adopting an Integrated Thinking, it is in a position to effectively connect its strategy, governance and performance. This Integrated approach groups the organization's inputs, activities and impact into six capitals – Financial, Manufactured, Intellectual, Human, Social & Relationship, and Natural – which together provide a more holistic insight into the value it creates.

As a responsible corporate citizen, Axis Bank makes a conscious effort to reduce the environmental footprint of its business operations and activities. Through diverse initiatives spanning product and process digitization, process improvement, resource consumption management, energy conservation, renewable energy adoption and waste management, the Bank is working towards lowering carbon emissions from its operations while at the same time becoming a leaner and more responsive organization. The Bank has invested in installing rooftop solar panels at various locations, wherever feasible, and in remotely managed smart energy systems to improve energy efficiency and avoid carbon emissions from its operations. As on 31st March 2019, the Bank had an installed solar power capacity of 7.05 MW spread across 248 locations.

At Axis Bank, its employees form the bedrock of the organization, and the Bank strives to provide them the opportunities to perform, learn and engage. Towards building a more inclusive workspace, Axis Bank launched "Access", a program under which it has hired over 35 candidates with differently abled capabilities in this financial year, and aims to hire over 100 candidates over the next year.

The Bank's CSR activities are guided by its CSR Policy and are driven either directly, through the Axis Bank Foundation (ABF), or through any other entity as deemed suitable by the Bank's CSR Committee of the Board. Its activities focus broadly on poverty alleviation, creating sustainable livelihoods, environmental sustainability, financial inclusion & literacy, and skill development. With over 4,000 branches across 29 states and 6 Union Territories as on 31st March 2019, Axis Bank actively tries to leverage its pan-India presence to expand the depth and impact of its programs.

Axis DilSe, the Bank's CSR initiative in the Leh and Kargil districts of the Ladakh region in Jammu & Kashmir, completed its second phase of intervention. The initiative is working in 100 border villages in the two districts, supporting 108 schools to scale up educational and physical infrastructure. Under phase II, the Bank installed 'Digi Labs' in all schools which would enable access to the digitized curriculum both for the students and the teachers. It also facilitates monitoring of the progress of the students through the module tracking system. The initiative is directly covering approximately 5,000 students, and has indirectly touched thousands of parents and teachers.

The Axis Bank Foundation was established in 2006 with a mission to take forward the Bank's community development objectives. Over the years, the Foundation's approach to development has evolved to remain responsive to the needs of marginalized communities with a strong focus on strengthening the role of women in the rural economy. Many of the Foundation's programs are closely aligned with various national rural development initiatives. With its strong network of 29 implementation partners, the Foundation's programs were spread across 151 districts in 23 states /union territories across the country as on 31 March 2019.

An overview of the various CSR initiatives undertaken during the year has been provided in the Annual Report on CSR Activities as part of the Statutory Reports in this Annual Report. Additional information is available on the Bank's corporate website at https://www.axisbank.com/csr and on the Foundation's website at http://www.axisbankfoundation.org/.

Axis Bank actively pursues a culture of giving and inclusiveness through its employee engagement platform - Axis Cares. The platform enables employees to donate to support several causes across the country in multiple ways. Employees can donate monthly through the payrolls and through one-time donations. Some of the causes that are supported through Axis Cares are Child Needs you, Hand for the Elderly, Wild life and us, Nurture nature, Preserve Heritage and Sports for Everyone. Axis Cares, through employee donations, supports several initiatives in the chosen themes across the country, through select NGOs. Each of the initiatives is purposefully chosen to make a significant difference. Employee not only get an opportunity to recommend causes, but also get the opportunity to volunteer their time and to experience the issues first hand. Axis Cares also enables employees to come together to support communities at the time of disasters by donating cash and in kind, by donating blood for blood banks through camps held frequently at several locations. Employees get to share their experiences in the area of social responsibility through a quarterly newsletter.

During the year, the Bank was recognized awarded at the prestigious CII ITC Sustainability Awards 2018, where it won the "Excellence" certificate in Corporate Social Responsibility category.

It is a matter of significant pride for the Bank to have been included in the prestigious FTSE4Good Emerging Index for the second consecutive year in 2018. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices, and is widely used by a variety of market participants to create and assess responsible investment funds and other products.

Human Resources

The Bank's people strategy focuses on enhancing key capabilities and embedding a performance centric culture. With this objective, the Bank has made efforts to attract the right talent and build skills aligned to the Bank's aspirations. The Bank ended financial year with a workforce strength of 61,940 employees. Some key focus areas of the Bank were:

Engage the best: attract and nurture

A young and engaged workforce with an average age of 30.8 years and the Bank's policy on being an equal opportunity employer continue to significantly contribute towards the Axis Bank brand. This year, the Bank extended the use of data analytics and technology in making smarter hiring decisions. Interview-less skill inventory algorithm based hiring for our frontline sales staff was introduced to identify the best fit for available roles.

Catalyst – the internal careers portal, was launched in the Bank to provide our employees an opportunity to chart their own careers. Catalyst allows employees to seek and apply for roles across departments within the Bank and also across Axis Group subsidiaries through a transparent and fair process, realizing the vision of 'One Axis'.

The Axis Bank Young Bankers and Axis Sales Academy programs continued to ensure that we have a sustainable supply pool of skilled resources to fulfil our aspirations. The Bank continued to actively engage with potential candidates which aided in attracting a large pool of potential candidates. The Bank maintained its focus on intake of candidates from diverse backgrounds through programmes like We Lead – the women in leadership program and ACCESS – the diversity hiring initiative for differently abled individuals.

Reinforcing meritocracy and building capability

The Bank continues to reward performance and has maintained focus on sharper differentiation for top performers while maintaining fairness and transparency in evaluation. The Bank's promotion process allows for the best performers to be recognized, regardless of their age, gender, background, and tenure.

More than 24,600 employees underwent a 2-day customized training program as part of ACElerate – the Bank' integrated performance management and capability development system. The Bank also offered an Enhancement Program to employees with lower then expected performance as a lever to opt for stretch targets and have a chance at upgrading their performance rating retrospectively.

The Bank encourages its subject matter experts to nurture a culture of learning and sharing which strengthens the learning mindset. Through its various learning interventions, the Bank continues to provide platforms for employees to improve their functional knowledge and behavioural skills. A total of 37,982 employees qualified Axis Competency Profiler, the Bank's online certification platform, which assesses employees on their functional competence and creates a pool of functionally strong employees. Further, training and testing is conducted to cascade bank's Values, code of ethics, and governance.

Foster alignment to strategy and enhance employee experience

This year, the Bank outlined its execution strategy for the next three years which pivots around the delivery of three important vectors - Growth, Profitability, and Sustainability. My GPS, an internal platform for employees, was launched to crowd-source ideas and recommendations from our employees to strengthen these vectors. Axis Blitz, a bi-annual platform for leaders to engage with employees and drive core values, continued as a part of strategy cascade where senior leaders travelled to locations and engaged with regional leadership teams. Axis Champions Awards, the Bank's annual recognition event, was held to recognize employees who displayed Excellence in Customer Service, Leadership, Citizenship Behaviour, Fraud Prevention, and Innovation.

The Bank ensured that the best-in-class technology is deployed to automate HR processes and enhance employee experience. The Bank continued to leverage its integrated employee survey architecture to hear from employees at various stages of the employee lifecycle.

Through the fulfilment of its HR agenda, the Bank continues to strive towards its goal of standing out as an institution in the industry.

Subsidiary Performance

The Bank's subsidiaries remain central to the principle of One Axis and our ability to deliver on our strategy formulated around the three vectors - growth, profitability and sustainability. In a short span of time we have established subsidiaries covering a significant gamut of the financial services space. Axis Direct is the 6th largest brokerage firm by unique traded customers, Axis Mutual Fund is ranked 9th based on average assets under management for the year ended FY19 as compared to 16th rank as at the end of FY12. Axis Capital maintains its leadership position in the ECM segment. Axis Finance has grown at a 36% CAGR with high returns. Axis is the only Bank to have 2 fintech companies as its subsidiaries - A.Treds in B2B and Freecharge in B2C space. During fiscal 2019, the Bank's subsidiaries reported growth in revenue of 5%.

Axis Finance Limited, the Bank's fast growing NBFC that caters to the unique financing requirement of retail and wholesale customers, reported 21% YoY growth in total loans with 40% growth in corporate loans. Axis Finance's net profit increased by 8% and contributed 57% to total subsidiaries' earnings.

Axis Capital, the Bank's investment banking and institutional equities franchise has been the leader in equity and equity linked deals over the last decade and had another great year with highest number of transactions (13 transactions across IPO, OFS, QIP, Rights and REIT) and 10% market share. Axis Capital contributed 16% to the total earnings of the subsidiaries.

Axis AMC and Axis Securities continued to contribute towards the Bank's Retail Franchise building strategy and strengthen the bond with its customers. Axis AMC reported 19% YoY growth in average AUM with 44% growth in total number of folios and contributed 14% to total subsidiaries' earnings. Axis Securities, one of the fastest growing brokerage firms in India reported 12% growth in cumulative client base to 2.10 million and contributed 20% to subsidiaries net profits.

During the fiscal, Freecharge, one of the India's leading digital payment companies has a current user base of 72mn, GMV of ₹2,790 crore and 106 mn transactions. The Bank believes that the Freecharge's unique value proposition in the digital payments space and the strength of its acquisition engine would help to build the Axis franchise further and create significant value for the Bank. With Digital Payments as a hook, the Bank intends to leverage the platform for digital distribution of retail products by targeting digitally native mobile first customers. The post-acquisition activities at Freecharge remain on track with total monthly payment volumes up 84% and monthly active users increasing by 33%.

A.TReDs Limited, the Bank's subsidiary that was set up in partnership with m-Junction, was one of the three entities allowed by RBI to set up the Trade Receivables Discounting System (TReDS), an electronic platform for facilitating cash flows for MSMEs. The Bank's digital invoice discounting platform 'Invoicemart' for MSMEs has done exceptionally well with market share of nearly 40% among all TReDS platforms. It currently has 2,061 particpants on the platform and has clocked ₹2,712 crore in financed throughput by e-discounting nearly 1,83,088 invoices.

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.