

Opening Remarks by Mr Amitabh Chaudhry, MD & CEO, Axis Bank

Hello and good evening to you all, I hope that you, your family and friends are all well. I also have Pralay joining me in this call.

We are entering very uncertain and volatile times, the global impact of COVID-19 has been profound and the risk posed to public health worldwide is unprecedented. It is still unfolding and the consequences are already visible with significant wealth destruction across the globe in all asset classes, which is likely to cause a sharp slowdown in global and domestic economy. However, the adverse impact may be partially offset by declining crude prices.

We are adequately prepared in this ever changing environment and are addressing emerging risks in multiple ways - Response teams, People and branches, Credit Risk & Business continuity.

Let me give you a brief update on each of these

Response team

- A Central Emergency Response Team (CERT) headed by Executive Director – Corporate Centre and senior team of 5-6 members from Risk, HR, Admin, Credit, Operations is monitoring situation on the ground on a daily basis. CERT always existed but was activated for COVID19, around 30 days back given the rapidly evolving environment.
- They are aided by local response teams on the ground for a coordinated effort
- Key functions - Branches, Operations, Treasury and Central/large offices are being tracked separately under the supervision of senior leaders
- Daily cadence around information reporting, monitoring and status updates by CERT with daily briefing to Management Committee.
- We have managed the situation quite well till now and are confident that we can continue to do so subject to what we are allowed to do by local, state and central authorities.
- Our branches are open wherever possible, our machines are stocked, our people are able to WFH, on an average 70% of employees are WFH and continue to provide essential services to clients wherever required

People and Branches

- Well-being of our customers, employees and all our stakeholders are our top most priority
- Various advisories have been issued periodically since 30th Jan to keep the employees of Axis Group updated on outbreak of Coronavirus
- The offices and branches have been sanitised and fumigated as a precautionary measure as required
- There is daily monitoring of all employees across the country and well-being is reported to the CERT and monitored closely by Management Committee.
- Bank has also setup a dedicated 24 hours helpline for employees for any information around Coronavirus, hospitals, medical assistance, etc.

Credit Risk

- While it's too early to objectively quantify the impact, we are closely monitoring our portfolio across select industries that are initially impacted - hotels, travel, tourism, textiles, auto ancillaries, etc.
- We have tightened underwriting standards and large exposures and drawdowns are monitored by ED and CCO
- In retail we have tightened our underwriting criteria across product lines based on profiles, industries and nature of product
- Any fresh disbursement whether to an existing or new client will be carefully examined for possible future stress as more and more districts come under lockdown and exports are hit as the situation in other countries remain worse
- We have also re-calibrated scorecards to reflect the inherent risk in borrower profiles
- Collections capacity has been strengthened across the board in Retail

Business continuity

- Business Continuity Plan has been initiated and the planning is at three levels encompassing "Preparedness, Continuity and Crisis ". Continuity testing is already completed in critical locations as well as one circle.
- Currently in some locations, as we speak, we are already implementing Crisis BCP
- We have extensively tested our critical operations for planned BCP over the last 15-20 days
- BCP testing was carried out on some of our key Operations hubs like Airoli in Mumbai, Noida and Hyderabad to check for load balancing
- We also tested BCP at our Corporate office with Work from Home for almost 65% of the staff last week
- We also extended this to senior management team
- We also tested Treasury operations from 2 different locations and now exploring a third BCP testing site
- Branches are being tested with reduced staff, given certain restrictions in locations
- BCP also covers all our subsidiaries

As you can see, the Bank is in a heightened state of preparedness and we are monitoring the situation closely.

The actual physical lockdowns in many cities across the world and now in major Indian cities, will impact the financial sector in terms of growth and profitability. Hence, we are adopting a balanced approach to make risk interventions and policy changes to be conservative where necessary and at the same time support our customers in the best way possible.

In the Retail lending space we have been cautiously optimistic and growing in segments where Risk Return looked attractive. Now as a consequence of the COVID-19 fallout, consumption demand will slow down in the economy which is likely to impact the Retail sector first. Hence, we have tightened credit underwriting criteria across Retail products. Undertaken re-calibration of scorecards to reflect inherent risks in certain profiles.

On the Commercial Banking side we have not been aggressive on growth at all in the recent past rather have been de-risking our portfolio after the slowdown in the auto and related supply chain finance business. We have further invested in this business to

strengthen our origination, underwriting, EWS and collections capabilities. As we were looking to grow this book the COVID-19 breakout has forced us to go slow and monitor the situation closely.

On the Corporate and Treasury side of the business we have been engaging with all our clients to understand their needs/requirements whether it is funding support or transaction support they need. We are also regularly monitoring our exposures to some of the key sectors impacted by COVID-19.

The bank has taken proactive steps to shore up its liquidity position and is well positioned to fund its balance sheet requirements in near term. We are comfortable on our LCR ratio. However, please note that this is an evolving situation and the current market disruption has the potential to extend for a significantly longer duration. We will continue to monitor the liquidity situation across market participants (banks, mutual funds, NBFIs) closely.

We have been taking proactive steps across all our businesses in the Bank and our subsidiaries to reduce the impact of the COVID-19 fallout. The Government and Central Banks across countries impacted by COVID-19 have taken substantive measures to improve liquidity and cushion the slowdown impact on their economies. We anticipate that our Government and the RBI will take suitable measures to address the economic concerns in India. The COVID-19 Economic Response Task Force, headed by FM herself has already been formed in this regard to deal with challenges faced by the country. Hence, in the Short term we prefer to maintain enough liquidity, manage risk, conserve capital, and even sacrifice growth, if required.

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