Management's Discussion and Analysis

Macro-Economic Environment

The fiscal 2021 began on a note of extraordinary uncertainty, given the rapid spread of COVID-19 and the extremely stringent restrictions placed on personal mobility worldwide. Coordinated measures by the government and central banks stimulus, did help to limit the impact of financial uncertainty on businesses and individuals, but still resulted in steep contraction in activity levels the world over. The stimulus was successful in containing the second order effects like insolvencies, and provided support to financial asset prices, limiting the harm to the overall economy. However, towards the second half of the fiscal, most countries experienced second and third waves of the pandemic, which saw active fiscal policy take over from emergency monetary policy. The US election added uncertainty to this, but the sustained recovery in economic growth towards the end of fiscal led to global interest rates moving up by the end of the fiscal.

The domestic economy was already weakening before the onset of COVID-19. Post the imposition of the most stringent lockdown among G20 peers, the RBI took proactive measures to limit transmission of stress to financial stability. This was through easing of rates, heavy provision of term liquidity, moratorium on interest and principal repayments, and targeted facilities to provide support. The Government also announced its Atmanirbhar package, which created credit guarantee funds, set up mechanisms to support lower rated enterprises and provided support to migrant workers, among other initiatives. A gradual unlock after May further allowed the recovery to gather pace, with many indicators surpassing pre-COVID levels by the end of March 2021, though services sector continued to lag. The fourth quarter of fiscal 2021 saw second COVID-19 wave intensifying in India and led to localised mobility restrictions.

Prospects for fiscal 2022

Global growth is likely to enter a coordinated recovery in the current financial year, partly on the low base of fiscal 2021, and partly on combination of vaccination and extraordinary stimulus in force globally. This outlook has replaced the fear of COVID-19 with that of earlier than expected interest rate hikes, though central banks have clarified that actual tightening is a long way off, with some also talking of further stimulus. Still, a tightening bias has begun to be seen, with China targeting relatively slow GDP and credit growth, and other emerging markets beginning rate hikes to deal with potential spill over effects of higher global interest rates down the road. Apart from the interplay between fiscal stimulus, rising interest rates and the recovery, the global economy will also be shaped by geopolitical developments.

The sharp spread of the second wave of COVID-19 through India has brought on a marked tightening of mobility restrictions, which should slow down transmission of the virus. The global experience has indicated that second waves are larger than first waves and perhaps less impactful for the economy. Thus, while high frequency indicators have begun to tail off in a limited way, growth will likely be supported. Given the low base, growth is likely to push fiscal 2022 GDP up to fiscal 2020 levels, effectively reversing the contraction seen in fiscal 2021. This will likely continue to support consumption related credit and prevent similar levels of asset quality deterioration as witnessed in fiscal 2021. The government's budget focus on crowding in private sector capex is also likely to be positive for banks in the longer run.

Bank credit growth is likely to be around 8% in the year ahead, with deposit growth also likely to be around the same level.

Overview of Financial Performance

Operating performance

(₹ in crores)

Particulars	2020-21	2019-20	% change
Net interest income	29,239	25,206	16%
Non-interest income	14,838	15,537	(4%)
Operating revenue	**44,077**	**40,743**	**8%**
Operating expenses	18,375	17,305	6%
Operating profit	**25,702**	**23,438**	**10%**
Provisions and contingencies	16,896	18,534	(9%)
Profit before tax	**8,806**	**4,904**	**80%**
Provision for tax	2,218	3,277	(32%)
Net profit	**6,588**	**1,627**	**305%**

Operating revenue increased by 8% YoY from ₹40,743 crores in fiscal 2020 to ₹44,077 crores in fiscal 2021. Net interest income (NII) rose 16% from ₹25,206 crores in fiscal 2020 to ₹29,239 crores in fiscal 2021. Non-interest income consisting of fee, trading and other income decreased by 4% from ₹15,537 crores in fiscal 2020 to ₹14,838 crores in fiscal 2021.

Operating expenses rose 6% from ₹17,305 crores in fiscal 2020 to ₹18,375 crores in fiscal 2021 as the Bank continued to invest in branch infrastructure, technology and human capital to support its business growth. In addition, the Bank has prudently provided an amount of ₹208 crores towards the liability for the Social Security Code 2020, the implementation date of which is yet to be notified. Healthy growth in operating revenue along with comparatively lower growth in operating expenses aided partially by the lack of business activity in Q1 of this fiscal compared to previous year led to a growth in the Bank's operating profit by 10% to ₹25,702 crores from ₹23,438 crores reported last year. Provisions and contingencies decreased by 9% from ₹18,534 crores in fiscal 2020 to ₹16,896 crores in fiscal 2021, after factoring for prudent provision choices.

Net profit for the year ended 31 March, 2021 increased 305% and stood at ₹6,588 crores, as compared to the net profit of ₹1,627 crores last year.

Net interest income

(₹ in crores)

Particulars	2020-21	2019-20	% change
Interest on loans	47,919	48,303	(1%)
Interest on investments	12,558	11,246	12%
Other interest income	3,168	3,086	3%
Interest income	**63,645**	**62,635**	**2%**
Interest on deposits	26,843	29,369	(9%)
Other interest expense	7,563	8,060	(6%)
Interest expense	**34,406**	**37,429**	**(8%)**
Net interest income	**29,239**	**25,206**	**16%**
Average interest earning assets[1]	827,920	718,147	15%
Average Current Account and Savings Account (CASA)[1]	257,082	223,349	15%
Net interest margin	3.53%	3.51%	
Yield on assets	7.69%	8.72%	
Yield on advances	8.62%	9.64%	
Yield on investments	6.51%	7.15%	
Cost of funds	4.48%	5.48%	
Cost of deposits	4.27%	5.23%	

1. computed on daily average basis

NII constituted 66% of the operating revenue and increased by 16% from ₹25,206 crores in fiscal 2020 to ₹29,239 crores in fiscal 2021. The increase is primarily due to an increase in average interest earning assets on a daily average basis by 15%.

During this period, the yield on interest earning assets decreased from 8.72% last year to 7.69%. The yield on advances decreased by 102 bps from 9.64% in fiscal 2020 to 8.62% in fiscal 2021. The yield on investments also decreased by 64 bps during the fiscal 2021. The overall yield on assets also declined to 7.69% from 8.72% mainly attributable to decrease in repo rate from 6.00% in fiscal 2020 to 4.00% in fiscal 2021 which led to decrease in funding cost of the industry and consequently decline in lending rates. As on 31 March, 2021 the Bank holds a specific liability of ₹163 crores, which was created by debiting interest income, to meet its obligation towards refund of interest on interest and penal interest to eligible borrowers emanating from the Supreme Court judgement. Other interest income includes one-time interest on income tax refund aggregating to ₹160 crores received during the year.

Cost of funds decreased by 100 bps from 5.48% in fiscal 2020 to 4.48% in fiscal 2021. During the year, the Bank continued its focus on both CASA plus Retail Term Deposits (RTD) as part of its overall deposit growth strategy. As a result, the cost of deposits decreased to 4.27% from 5.23% last year. CASA and RTD deposits together, on a daily average basis, reported a healthy increase of 18% to ₹529,300 crores from ₹449,033 crores last year. Further, during the year the Bank raised additional capital of ₹10,000 crores through issuance of equity share capital which also led to decrease in the funding cost for the Bank.

Non-interest income

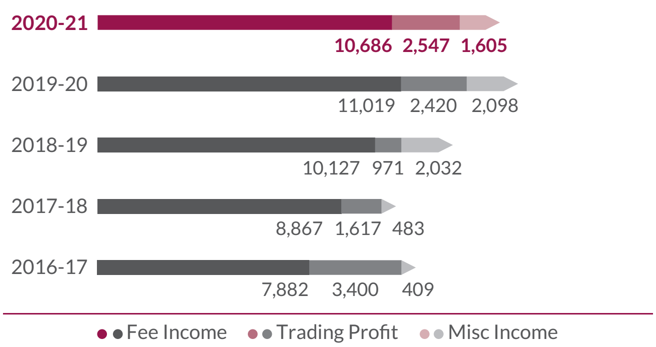
(₹ in crores)

Particulars	2020-21	2019-20	% change
Fee income	10,686	11,019	(3%)
Trading profit	2,547	2,420	5%
Miscellaneous income	1,605	2,098	(23%)
Non-interest income	**14,838**	**15,537**	**(4%)**

Non-interest income comprising fees, trading profit and miscellaneous income decreased by 4% to ₹14,838 crores in fiscal 2021 from ₹15,537 crores last year and constituted 34% of the operating revenue of the Bank.

Non-Interest Income

(₹ in crores)



Total fee income from the Bank's retail operations accounted for 15% of total operating revenue of the Bank for fiscal 2021 as compared to 17% in fiscal 2020, and 62% and 64% of the Bank's total fee income for fiscals 2021 and 2020 respectively. The Bank's granular fee across third party distribution, grew 30% on a YOY basis. Retail card fees and Retail non-card fees and constituted 21% and 41% respectively of the total fee income in fiscal 2021.

On the wholesale banking side, fee income from Transaction Banking and Forex accounted for 5% of operating revenue of the Bank for fiscal 2021 and fiscal 2020 and 21% of the Bank's total fee income for fiscal 2021 as compared to 18% of the fee income for fiscal 2020. Credit linked fees accounted for 16% of fee income for fiscal 2021 as compared to 15% of fee income for fiscal 2020.

Growth in reported fee income was impacted on account of fee reversal due to higher slippages in cards business, slow-down in certain revenue streams due to impact of COVID and certain regulatory waivers during the year. Fee income decreased by 3% to ₹10,686 crores from ₹11,019 crores last year and continued to remain a significant part of the Bank's non-interest income. It constituted 72% of non-interest income and contributed 24% to the operating revenue.

During the year, proprietary trading profits increased by 5% to ₹2,547 crores from ₹2,420 crores last year mainly on account of higher profits on the SLR portfolio in fiscal 2021.

The Bank's miscellaneous income in fiscal 2021 stood at ₹1,605 crores compared to ₹2,098 crores in fiscal 2020, comprising mainly recoveries from written off accounts amounting to ₹1,246 crores and sale of Priority Sector Lending Certificates (PSLC) amounting to ₹218 crores in fiscal 2021. The Bank also booked dividend from subsidiaries amounting to ₹58 crores under miscellaneous income.

Operating revenue

The operating revenue of the Bank increased by 8% to ₹44,077 crores from ₹40,743 crores last year. The core income streams (NII and fees) constituted 91% of the operating revenue, reflecting the stability of the Bank's earnings.

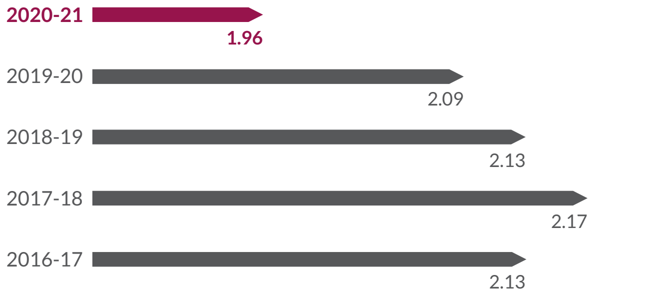
Operating expenses

(₹ in crores)

Particulars	2020-21	2019-20	% change
Staff cost	6,164	5,321	16%
Depreciation	948	773	23%
Other operating expenses	11,263	11,211	0.5%
Operating expenses	**18,375**	**17,305**	**6%**
Cost : Income Ratio	**41.69%**	**42.47%**	
Cost : Asset Ratio	**1.96%**	**2.09%**	

The operating expenses growth for the Bank moderated during the year to 6% as compared to 9% last year as the Bank continued to focus on controlling expenses and lower sourcing expenses due to lower business volumes on account of COVID -19 impact. 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 in absolute terms increased to ₹18,375 crores from ₹17,305 crores last year. The Operating Expenses to Assets ratio declined to 1.96% compared to 2.09% last year.

Operating Expenses to Assets %



Staff cost increased by 16% from ₹5,321 crores in fiscal 2020 to ₹6,164 crores in fiscal 2021, primarily on account of annualization of fiscal 20 hiring and 6% increase in employee strength from 74,140 as at end of fiscal 2020 to 78,307 as at the end of fiscal 2021. The Bank has also, as a prudent measure, accrued on an estimated basis an amount of ₹208 crores towards the liability that may arise on the notification of the rules pursuant to the Social Security Code 2020 , which also contributed to increase in staff cost expenses for the year.

Other operating expenses increased marginally from ₹11,211 crores in fiscal 2020 to ₹11,263 crores in fiscal 2021. The increase is primarily due to investments in branch infrastructure and technology to support business growth. The Bank added 66 branches during fiscal 2021.

Operating profit

During the year, the operating profit of the Bank increased by 10% to ₹25,702 crores from ₹23,438 crores last year on account of healthy growth in operating revenues along with comparatively lower growth in operating expenses.

Provisions and contingencies

(₹ in crores)

Particulars	2020-21	2019-20	% change
Provision for non-performing assets	12,205	12,756	(4%)
Provision for restructured assets/SDR/S4A	(14)	(16)	-
Provision for depreciation in value of investments	1,329	136	877%
Provision for country risk	(12)	12	-
Provision for standard assets including unhedged foreign currency exposure	2,674	1,441	86%
---of which			
Provision for loans under moratorium	2,012	1,118	80%
Provision for other contingencies	714	4,205	(83%)
---of which			
Provision for Non-Banking Assets	-	1,526	-
Provision for NFB outstanding	(12)	411	-
Additional provision for COVID-19	-	1,882	-
Provision for COVID-19 and MSME Restructuring	499	-	-
Provisions and contingencies	**16,896**	**18,534**	**(9%)**

During fiscal 2021, the Bank created total provisions (excluding provisions for tax) of ₹16,896 crores compared to ₹18,534 crores last year. Key items of the same are explained below -

Provisions for NPAs:

The Bank provided ₹12,205 crores towards non-performing assets compared to ₹12,756 crores last year. The decrease in provision for non-performing assets is primarily on account of lower slippages at ₹17,247 crores in fiscal 2021 as compared to ₹19,915 crores in fiscal 2020.

During the year, the Bank has also changed its provisioning norms in respect of loans granted to Commercial Banking Segment (erstwhile SME) which are non-discretionary and rule based, to rates which are higher than those prescribed by RBI and followed hitherto. This has resulted in an additional provision of ₹803 crores during the fiscal 2021.

Provision for depreciation in value of investments:
Provision for depreciation in value of investments for fiscal 2021 amounted to ₹1,329 crores as compared to ₹136 crores in fiscal 2020. The increase is primarily on account provisioning on Security Receipts. The Bank holds a provision of ₹1,681 crores which constitutes 100% of the outstanding Security Receipts book. The Bank has also made two accounting policy changes in this area as detailed in the 'significant accounting policies' section of the financial statements which also led to marginal increase in the provision for depreciation on investments.

Provisions for standard assets:
The Bank provided ₹2,674 crores for standard assets including unhedged foreign currency exposure compared to ₹1,441 crores last year. This includes an amount of ₹2,012 crores towards the 10% provision on loans under moratorium as per RBI guidelines on COVID-19 regulatory package. The Bank now, holds in aggregate a provision of ₹5,012 crores towards COVID -19 provisioning of which an aggregate amount of ₹3,130 crores towards provision on loans under moratorium is held under the head provision for standard assets. The Bank has not utilised any provision made on loans under moratorium towards slippages that have happened during fiscal 2021.

Provision for other contingencies:
Provisions for other contingencies for fiscal 2021 amounted to ₹714 crores as compared to ₹4,205 crores in fiscal 2020. This decrease is mainly on account of following –

In fiscal 2020 the Bank had made additional provisions as detailed below for three large items :

- From fiscal 2020, the Bank had started maintaining systematic provision towards non-fund based outstanding in NPAs, prudentially written off accounts, corporate standard advances internally rated 'BB and Below' or 'Unrated' and all SMA-2 advances as reported to CRILC, which had resulted in recognition of one-time catch-up provision of ₹411 crores last year. During the year, there was a write-back in the provision maintained on these accounts of ₹12 crores on account of reduction in balances or upgradation of accounts.
- During fiscal 2020, the Bank had made a provision ₹1,526 crores (net of write-back on account of sale of a land parcel) towards land held under non-banking assets acquired in satisfaction of claims. This resulted in full 100% provision getting routed through P&L over period of 4 quarters from March 2019 to December 2019. Accordingly, there was nil incremental provisioning requirement on the same in fiscal 2021.
- The Bank continues to hold provisions of ₹1,882 crores as at 31 March, 2021 recognised in fiscal 2020 against the potential impact of COVID-19 despite an improvement in stress models as on date when compared to the original estimate in March 2020. There was no top up to or write back of this provision in fiscal 2021.

Against the above, in fiscal 2021, the Bank has made a provision of ₹499 crores which is higher than the regulatory prescription for assets that restructured or under restructuring as per RBI guidelines on 'Resolution Framework for COVID-19-related Stress' and RBI guidelines on 'MSME Restructuring'.

As at the end of fiscal 2021, the cumulative non NPA provisions amounted to ₹12,010 crores as compared to ₹7,735 crores at the end of fiscal 2020. The standard assets coverage ratio (all non NPA provisions / standard assets) increased to 1.95% as compared to 1.38% a year ago.

Provision for tax
Provision for tax for fiscal 2021 stood at ₹2,217 crores as compared to ₹3,277 crores for last year. During the previous year ended 31 March, 2020, the Bank elected to exercise the option permitted under Section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Act, 2019 and accordingly recognised provision for income tax in line with the above option. This necessitated a restatement of the opening balance of deferred tax assets as at 1 April, 2019, basis the rate prescribed in the aforesaid section. The restatement resulted in a write down of ₹2,138 crores which has been fully charged to the Profit and Loss account during the previous year. Hence, there was a decrease in provision for tax this year as compared to last year.

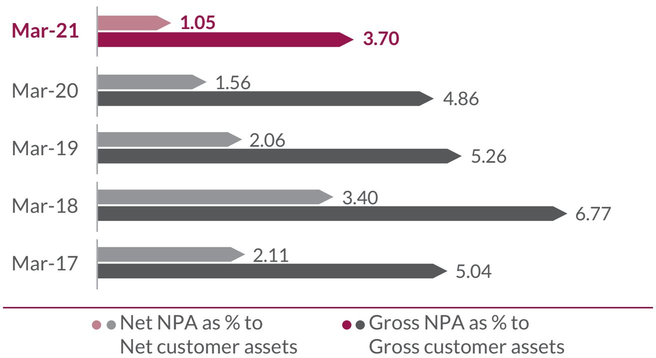
Net profit
As a consequence, net profit for the year ended 31 March, 2021 increased and stood at ₹6,588 crores, as compared to the net profit of ₹1,627 crores last year.

Asset Quality Parameters
The asset quality metrics improved during the fiscal, with reduction in NPA ratios year on year.

During the fiscal, the quantum of BB and below rated accounts (excluding investments and non-fund based exposure) increased and stood at ₹7,443 crores as compared to ₹6,528 crores at the end of fiscal 2020. The Bank has downgraded all COVID -19 restructured corporate loan accounts to BB and Below. The aggregate outstanding of BB and below rated investments and non-fund based accounts was ₹666 crores and ₹4,574 crores respectively as at the end of March 2021.

The Bank added ₹17,247 crores to Gross NPAs during the year with the Bank's ratio of Gross NPAs to gross customer assets decreasing to 3.70%, at the end of March 2021 from 4.86% as at end of March 2020.

Gross and Net NPA



The Bank added ₹8,987 crores to Net NPAs after adjusting for recoveries and upgradations of ₹2,995 crores and ₹5,265 crores respectively and the Bank's Net NPA ratio (Net NPAs as percentage of net customer assets) decreased to 1.05% from 1.56%.

The Bank's provision coverage has increased during the fiscal and stood at 88% including prudential write-offs and 72% excluding prudential write-offs. The Bank's accumulated prudential write off pool stood at ₹31,856 crores as at end of fiscal 2021.

During the year, RBI has issued guidelines on 'Resolution Framework for COVID-19-related Stress' which enable lenders to implement a resolution plan in respect of eligible corporate exposures and personal loans, while classifying such exposures as standard, subject to specified conditions. Further, RBI also extended the timelines for MSME restructuring until 31 March, 2021. The Bank has been judicious around loans restructured in these dispensations. The fund based outstanding of standard loans under COVID-19 resolution scheme at 31 March, 2021 stood at ₹1,848 crores or ~ 0.3% of gross customer assets. The linked non fund based outstanding for which there has been no change in original terms stood at ₹923 crores. Outstanding restructured loans under the MSME scheme stood at ₹251 crores. The Bank holds a provision of ₹499 crores on these restructured assets. In addition, the Bank also holds a provision of ₹116 crores on a portion of these restructured assets which overlaps with SMA-2/BB & below portfolio of the Bank, taking total provision as on 31 March, 2021 to ₹615 crores.

Key ratios

Particulars	2020-21	2019-20
Basic earnings per share (₹)	22.15	5.99
Diluted earnings per share (₹)	22.09	5.97
Book value per share (₹)	331.63	301.05
Return on equity (%)	7.55%	2.34%
Return on assets (%)	0.70%	0.20%
Net interest margin (%)	3.53%	3.51%
Profit per employee (₹ lakh)	8.66	2.40
Loan to Deposit ratio (Domestic)	82.06%	82.86%
Loan to Deposit ratio (Global)	88.18%	89.27%

Basic Earnings Per Share (EPS) was ₹22.15 compared to ₹5.99 last year, while the Diluted Earnings Per Share was ₹22.09 compared to ₹5.97 last year. Return on Equity (RoE) and Return on Assets (RoA) improved during the year and stood to 7.55% and 0.70% respectively. Book Value per Share increased by 10% to ₹331.63 from ₹301.05 last year. Profit per Employee stood at ₹8.66 lakh.

Loan to Deposit ratio of the Bank as on 31 March, 2021 was at 88.18% with a domestic CD ratio of 82.06%.

Balance Sheet parameters

Assets

Particulars	2020-21	2019-20	% change
Cash and bank balances	**61,730**	**97,268**	**(37%)**
Government securities	184,190	125,982	46%
Other securities	41,930	30,752	36%
Total investments	**226,120**	**156,734**	**44%**
Retail advances	334,514	305,400	10%
Corporate advances	219,356	204,103	7%
SME advances	69,850	61,921	13%
Total advances	**623,720**	**571,424**	**9%**
Fixed assets	**4,245**	**4,313**	**(2%)**
Other assets[1]	**80,303**	**85,426**	**(6%)**
Total assets	**996,118**	**915,165**	**9%**

1. includes Priority Sector Lending deposits of ₹46,886 crores (previous year ₹46,463 crores)

Total assets increased by 9% to ₹996,118 crores as on 31 March, 2021 from ₹915,165 crores on 31 March, 2020, driven by 9% and 44% growth in advances and investments respectively.

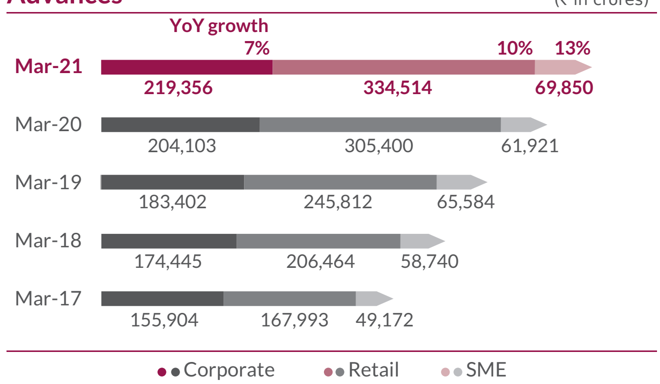
Advances

Total advances of the Bank as on 31 March, 2021 increased by 9% to ₹623,720 crores from ₹571,424 crores as on 31 March 2020, largely driven by healthy growth in the SME & retail segment. Retail advances comprised 54% of total advances and grew by 10% to ₹334,514 crores, corporate advances comprised 35% of total advances and grew by 7% to ₹219,356 crores and SME advances constituted 11% of total advances and grew by 13% to ₹69,850 crores. Total advances including Targeted longer-term refinancing operations TLTRO investments grew by 12% YOY.

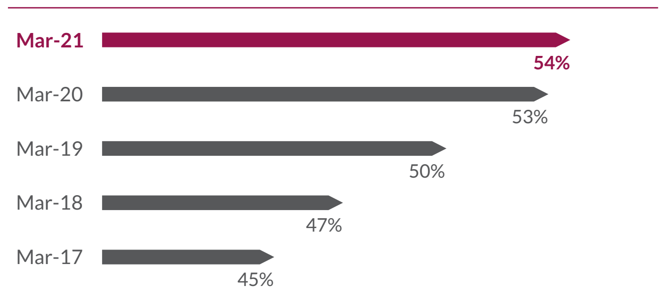
Domestic advances of the Bank as on 31 March, 2021 grew by 10% to ₹578,721 crores from ₹526,786 crores as on 31 March 2020. Further, domestic corporate advances of the Bank as on 31 March, 2021 increased by 7% to ₹187,148 crores from ₹175,087 crores as on 31 March, 2020.

The retail lending growth was led by Small Banking Business (SBB), mortgage loan and auto loans. Home loans remain the largest retail segment and accounted for 36% of retail loans, rural lending 13%, loans against property (LAP) 9%, personal loans (PL) and credit cards (CC) were 16%, auto loans 12% and Small Banking Business (SBB) were 5%, while non-schematic loans comprising loan against deposits and other loans accounted for 10%.

Advances (₹ in crores)



Retail Advances as % to Total Advances



Investments

The investment portfolio of the Bank grew by 44% to ₹226,120 crores. Investments in Government and approved securities, increased by 46% to ₹184,190 crores. The growth in G-sec investments is mainly attributable to improving the level of liquid assets for LCR purposes and in line with the increase in ceiling of HTM securities announced by RBI in September 2020. Other investments, including corporate debt securities, increased by 36% to ₹41,920 crores, this includes outstanding TLTRO investments of ₹18,074 crores as on 31 March, 2021. 80% of the government securities have been classified in the HTM category, while 40% of the bonds and debentures portfolio has been classified in the AFS category.

Other Assets

Other assets of the Bank as on 31 March, 2021 decreased to ₹80,303 crores from ₹85,426 crores as on 31 March 2020, primarily on account of decrease in positive mark-to-market receivable on orex and derivative contracts from ₹16,143 crores as on 31 March, 2020 to ₹10,843 crores as on 31 March, 2021, on account of movement in INR/USD exchange rate during the year.

Liabilities and shareholder's funds

(₹ in crores)

Particulars	2020-21	2019-20	% change
Capital	613	564	9%
Reserves and Surplus	100,990	84,384	20%
Total shareholder's funds	**101,603**	**84,948**	**20%**
Deposits	**707,306**	**640,105**	**10%**
- Current account deposits	113,276	90,114	26%
- Savings bank deposits	204,473	173,592	18%
- CASA	**317,749**	**263,706**	**20%**
- Retail term deposits	284,928	253,437	12%
- Non-retail term deposits	104,629	122,962	(15%)
- Total term deposits	**389,557**	**376,399**	**3%**
Borrowings	**142,873**	**147,954**	**(3%)**
- In India	102,865	92,493	11%
- Infra bonds	20,880	20,880	-
- Outside India	40,008	55,461	(28%)
Other liabilities and provisions	**44,336**	**42,158**	**5%**
Total liabilities and shareholder's funds	**996,118**	**915,165**	**9%**

Shareholder's funds

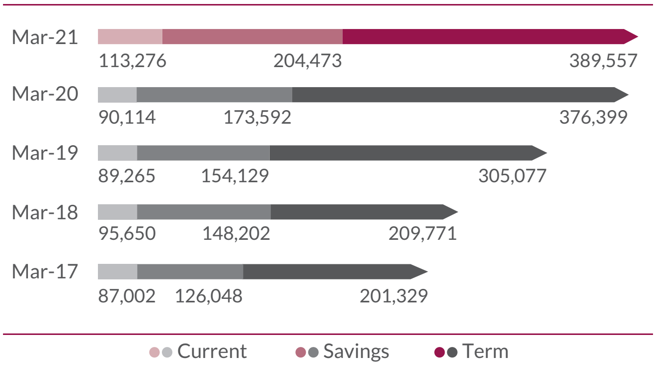
Shareholder's funds of the Bank increased from ₹84,948 crores as on 31 March, 2020 to ₹101,603 crores as on 31 March, 2021. This is mainly on account of increase in capital and reserves due to the equity capital mobilised through the Qualified Institutional Placement (QIP) offering completed during the year.

Deposits

The total deposits of the Bank increased by 10% to ₹707,306 crores against ₹640,105 crores last year. Savings Bank deposits reported a growth of 18% to ₹204,473 crores, while Current Account deposits reported increase of 26% to ₹113,276 crores. As on 31 March, 2021, low-cost CASA deposits increased to ₹317,749 crores, and constituted 45% of total deposits as compared to 41% last year. Savings Bank deposits on a daily average basis, increased by 15% to ₹177,342 crores, while Current Account deposits reported a growth of 15% to ₹79,740 crores. The percentage share of CASA in total deposits, on a daily average basis, was at 41% compared to 40% last year.

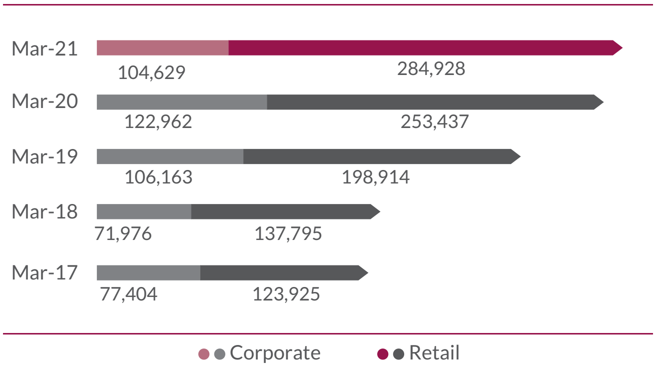
Deposits

(₹ in crores)



Term Deposits

(₹ in crores)



This year the Bank significantly ramped up its focus on retail term deposits as well. As on 31 March, 2021, the retail term deposits grew 12% and stood at ₹284,928 crores, constituting 73% of the total term deposits compared to 67% last year. During the year, the Bank as a conscious strategy decided to expand its granular deposit base (CASA + Retail Term Deposits) which now constitute 85% of total deposits as on 31 March, 2021 as against 81% of total deposits on 31 March, 2020. This has led to a growth in the level of CASA and Retail Term Deposits by 17% and consequent de-growth in the corporate deposits of 15% over last year.

Borrowings

The total borrowings of the Bank decreased by 3% from ₹147,954 crores in fiscal 2020 to ₹142,873 crores in fiscal 2021.

Contingent Liability

(₹ in crores)

Particulars	2020-21	2019-20	% change
Claims against the Bank not acknowledged as debts	**2,054**	1,957	5%
Liability for partly paid investments	**165**	139	19%
Liability on account of outstanding forward exchange and derivative contracts:	**882,040**	**802,690**	**10%**
- Forward Contracts	510,118	455,979	12%
- Interest Rate Swaps, Currency Swaps, Forward Rate Agreement & Interest Rate Futures	335,418	301,597	11%
- Foreign Currency Options	36,504	45,114	(19%)
Guarantees given on behalf of constituents	**80,831**	**73,914**	**9%**
- In India	72,965	66,480	10%
- Outside India	7,866	7,434	6%
Acceptances, endorsements and other obligations	**37,806**	**25,165**	**50%**
Other items for which the Bank is contingently liable	**49,763**	**19,104**	**160%**
Total	**1,052,659**	**922,969**	**14%**

Capital Management

The Bank continues its endeavour for greater capital efficiency and shoring up its capital adequacy to enhance shareholder value. During the year ended 31 March, 2021, the Bank raised additional equity capital through a Qualified Institutional Placement of shares at a price of ₹420.10 per share. As a consequence, the paid-up share capital of the Bank has increased by ₹48 crores and the reserves of the Bank have increased by ₹9,915 crores after charging off issue related expenses. The funds mobilised for equity raising were utilised for enhancing the capital adequacy ratio, for the growth strategy, for addressing risks emanating from COVID-19 and for general corporate purpose.

Movement of CRAR during fiscal 2021	%
Capital Adequacy Ratio as on 31 March 2020	**17.53**
Increase due to QIP issue	1.57
Change due to RBI directions/RWA optimisation	0.26
Increase due to profit in fiscal 2021	1.04
Decrease on account of consumption	(1.28)
Capital Adequacy Ratio as on 31 March 2021	**19.12**

The Bank has also been focusing on increasing the proportion of lower Risk Weighted Assets (RWA). The Bank's Risk Weighted Assets (RWA) to Asset ratio improved from 67% as at the end of fiscal 2020 to 64% at the end of fiscal 2021.

During the year, the Bank's capital consumption was modest, driven by improvement in RWA intensity.

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

The Bank's overall capital adequacy ratio (CAR) under Basel III stood at 19.12% 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 15.40% (against minimum regulatory requirement of 5.50%) and Tier I CAR was 16.47% (against minimum regulatory requirement of 7.00%). As on 31 March, 2021, the Bank's Tier II CAR under Basel III stood at 2.65%.

The following table sets forth the capital, risk-weighted assets and capital adequacy ratios computed as on 31 March, 2021 and 31 March, 2020 in accordance with the applicable RBI guidelines under Basel III.

(₹ in crores)

Particulars	2020-21	2019-20
Tier I capital	104,748	88,449
Tier II capital	16,829	18,556
Out of which		
- Tier II capital instruments	11,440	13,095
- Other eligible for Tier II capital	5,389	5,461
Total capital qualifying for computation of capital adequacy ratio	**121,577**	**107,005**
Total risk-weighted assets and contingencies	**635,863**	**610,527**
Total capital adequacy ratio	**19.12%**	**17.53%**
Out of above		
- Common equity tier I capital ratio	15.40%	13.34%
- Tier I capital ratio	16.47%	14.49%
- Tier II capital ratio	2.65%	3.04%

Business Overview

During the year, the Bank reviewed and updated the GPS strategy that was first outlined in fiscal 2020, and continues to be guided by the three vectors of Growth, Profitability and Sustainability. The Bank's aspiration on the key vectors of GPS are:

- **Growth:** Continue to grow deposits, payments, advances and our subsidiaries to reach leadership positions across our businesses
- **Profitability:** Enhance non-credit revenue streams, drive leadership in costs, and embed profitability in all business decisions
- **Sustainability:** Work towards driving execution excellence, continue to strengthen Credit Risk Management, build a Compliance culture and strengthen the Core (Technology, Operations and Process Excellence)

As part of the GPS initiatives, under the **"One Axis"** vision, the Bank is also focused on delivering solutions across the customer value chain by leveraging shared solutions and services across departments and subsidiaries.

Even as the COVID-19 crisis unfolded across the world last year, the Bank made tactical and near-term adjustments to its strategy to counter the challenges that came up. The Bank also launched around 20 projects aligned to the Bank's GPS framework, with a near to medium term outlook. These projects put conservatism and sustainability at the core to drive profitable growth. The objective of these projects was to ensure that the Bank was well prepared and among the earliest to capitalize on emerging opportunities. Some of these projects included addressing the needs and opportunities in mass-market segments, driving a focused approach to collections, and optimizing capital and cost within the Bank.

The Bank remains committed to its GPS strategy of working towards Growth, Profitability and Sustainability over the medium-term through various key initiatives across the Bank and each of the business segments.

An overview of the Bank's various business segments along with their performance during fiscal 2021 and future strategies is presented below:

Retail Banking

The Bank has over the last decade built a strong Retail Banking franchise that continues to be a key driver of the Bank's overall growth strategy. The Bank's focused customer-centric approach, strong and differentiated product offerings, along with its wide distribution network remain the core pillars through which it continues to serve the financial needs and aspirations of its customers.

The Retail business segment offers a variety of products across deposits, loans, cards, payment solutions, investments, wealth management and advisory services, to meet the specific financial needs of customers through their lifecycle.

Retail liability products include savings and current accounts and term deposits with features and benefits to meet the banking needs of different customer segments. Retail lending products include home loans, loans against property, automobile loans, two-wheeler loans, commercial vehicle loans, personal loans, gold loans, education loans, credit cards, small business banking loans and agriculture loans among others.

The Bank's Retail Banking business unit also offers other products and services such as debit and credit cards, forex cards, bill payment services and wealth management services. The Bank also distributes third party products such as mutual funds, life and non-life insurance policies, Government bonds, etc.

The Bank believes that it is well-positioned to capitalize on growth opportunities in the Indian retail financial services market, led by its strong liability franchise, well diversified products portfolio and robust analytics and technological capabilities. During the fiscal year 2021, the Retail segment contributed 69%, 54% and 64% of the Bank's deposits, advances and fee income respectively.

Retail Deposits

The Bank remains focused on garnering stable and granular retail deposits in order to drive its balance sheet growth. During the year, the Bank reported steady growth in its Current and Savings Accounts plus retail term deposits that together grew by 17% YOY. Within this, the SA deposits grew by 18% and the CA deposits grew by 26%, while the Retail term deposits too grew by 12%. The Bank added 6.7 million new liability accounts during the year with 2.8 million of them being SA accounts.

Premiumization of deposits franchise continues to be an important imperative for the Bank. The Bank has over the last two years taken significant steps towards building a quality liability franchise with emphasis on deepening the relationship with its Existing to Bank (ETB) deposit customers. During the year, the Bank's initiatives on right product fitment and greater customer engagement led to 6.5% increase in ETB deepening. The share of premium accounts in the ETB SA base book increased by 150 bps YoY i.e., from 35.5% to 37.0% during the year.

The Bank also took several measures towards improving the quality of New to Bank (NTB) customer acquisitions that led to a healthy improvement in the quality metrics like initial funding rate and overall median balances in the NTB accounts. The Bank's salary savings account deposits grew 22% YOY as it continued to work towards leveraging its corporate lending relationships with top corporates to gain higher share in salary segment. The Bank also continued to focus on segments like Burgundy Private, Burgundy, Priority and NRI with the key objectives of growing the liability book and becoming primary bankers to the customer by increasing product cross-sell and acquiring more family accounts.

The Bank continued to introduce product features and solutions to cater to the evolving customer requirements. The Bank, in July 2020, introduced complimentary daily hospital cash cover on the mass savings account variants that also covered COVID-19 related hospitalization expenses as well. The Bank also introduced a new Savings account variant 'Liberty Savings' in August 2020, which is a unique spends based account, targeted at the youth offering them freedom of choice. Spends through the account help customers get cashback, vouchers and also waiver on minimum balance fee depending on spend thresholds. The Bank has opened over 2 Lakh accounts with over ₹1,000 Crore balances in these accounts till the end of March 2021.

Given the challenges faced at the onset of FY21 due to COVID -19 is led lockdown, the Bank launched a video KYC based 'Full power Digital Savings Account' that can be opened instantly and provides access to 250 plus services online. In the backdrop of the pandemic, there was a need felt for sensitizing customers on the need of building an emergency corpus. Keeping this in mind, the Bank launched Emergency Savings Planner (ESP) tool, an industry first transformational tool that allows customers to calculate the emergency corpus that they should have, and also provides them with a structured savings program to help them build a savings habit.

The Bank also continued to focus on the training of sales officers and enhancing their productivity through transformation led projects. The Bank has developed an Omni channel offering "Aarambh", a truly customer centric initiative that displays all the right fit products for NTB and ETB customers on a single screen, assists customers with relevant product information and integrates with instant end to end digital fulfilment.

In order to serve the deposit customers better and deepen relationships with them, the Bank has organically built a well-diversified branch network over the years. The Bank continues to look at the segments and demographic areas that are relevant to the Retail Banking strategy, before setting up a branch. During the year, the Bank adopted calibrated approach and opened 66 branches based on business and regulatory requirement. As on 31 March, 2021, the Bank had a network of 4,594 branches and extension counters as compared to 4,528 branches and extension counters as at the end of 31 March, 2020.

The Bank's geographical reach in India now extends to 38 states and union territories, covering around 2,596 centres and 677 districts. Around 16 % of the Bank's branches are in rural areas and 75% of the Bank's rural branches are in unbanked locations.

The Bank also has extensive network of 11,300+ ATMs and 5700+ Recyclers, which not only handled the cash deposits and withdrawals, but also served as self-service and fulfilment centres. The Bank sold 2.5 lakh units of various products via ATM channel in fiscal 2021 as compared to 1.65 lakh in fiscal 2020.

The Bank has also been investing in developing alternate channels like Axis Virtual Centres and Digital to reach out to increased customer base and strengthen the relationships further. Axis Virtual Centre (AVC) uses omni channel to reach out to its customer base, leveraging technology and a solution centric approach to customer conversations. Currently it operates from 6 locations with a strong team of over 5000 members that include 1500 virtual relationship managers. These AVCs offer a plethora of services like account opening through video KYC, relationship management across programs such as Burgundy, Priority, Prestige and Prime, payments assistance, retail loans, cards portfolio products and Investment products to both domestic and overseas customers.

Retail Lending

During the year, the Bank's focused approach on growth in certain products, geographies and customer segments along with its emphasis on transforming the processes towards delivering superior customer experiences helped deliver growth of 10%. The retail loan portfolio as a proportion of the total loan portfolio increased to 54% as on 31 March, 2021 from 53% as of 31 March, 2020.

The Bank's strategy continued to revolve around achieving higher growth in secured retail lending through its physical and digital distribution network, while leveraging on cross-selling opportunities to its internal customer base. The Bank's Retail business delivered higher disbursements growth in secured loans like home loans, LAP, Auto loans and SBB and the share of secured loan disbursements in overall disbursement mix increased to 85% in fiscal 2021.

As a part of the business growth plans, the penetration into the internal customer base remains a critical component of the Bank's Retail strategy given the benefits of the customer stickiness, better portfolio performance and lower acquisition cost. The Bank sources 70% of its retail assets from its ETB customers with higher proportion of ETB customer mix in Credit Cards, Personal loans and LAP.

The Bank's branches continued to play an important role in growth of retail assets with ~ 56% of retail advances being sourced at branches. The Bank has been working on reimagining the Branch Channel from a banking storefront to a financial services marketplace. The Bank continues to focus on automation of branch processes so that the customer service officers can better engage with the customers to provide them specific solutions.

The Bank also continued to expand its business by seizing opportunities in identified rural and semi-urban markets, and by embracing digital. As part of its Deep Geo initiative, the Bank had adopted an asset led customer acquisition strategy to drive higher growth and increase market share in rural and semi-urban markets. During the year, the Bank expanded this strategy to 1,577 branches as compared to 387 branches in fiscal 2020. The Bank also partnered with 6,303 common service centers (CSCs) that would act as an extension arm for branches to further increase its reach in deeper geographies. The Deep Geo strategy also complements the Bank's PSL strategy meaningfully and the Bank continues to work towards strengthening policies to increase PSL sourcing from these regions. During the year, the disbursements from Deep Geo branches grew 59%; 86% of the disbursements were towards secured loans and 55% of the disbursements were PSL compliant.

The Bank also partnered OEMs in automotive and two wheelers space and rural agri focused vendors to capture the whole value chain apart from entering into partnerships with online fintechs to drive higher growth. The Bank tied up with four-wheeler automotive majors like Maruti Suzuki and Hyundai to offer Axis Auto loans on their digital sales and lending platforms. The Bank also partnered with Bayer's Better Life farming initiative for providing holistic digital banking solution to smallholder farmers and rural farming communities. The Bank also leveraged its subsidiary Freecharge's platform for gold loans and Auto loans lead generation.

The Bank has been leveraging various digital platforms with a view to enhance automation in lending and improving process efficiencies while reducing costs and environmental footprint. The Bank effectively utilized direct to consumer channels like SMS, Mobile Banking push to reach out to customers with specific offerings. The Bank also facilitated online application of home loans and instant approval for specific approved projects; and instant disbursement of personal and consumer loans for physically sourced select ETB customers. The insta-lending products with focus on seamless on-boarding of customers created a rewarding digital experience for the customers. Of the total lending disbursement 14% was sourced through digital platform. The Bank sourced 57% of the personal loans through paperless digital platforms and opened 47% of business loans digitally.

The Bank continued its focus on process transformation in order to improve the productivity and performance of its employees. The Bank launched Project Unnati and the pilot project helped to make processes more efficient resulting in improved productivity and TAT in Home Loans. Product trainings were initiated for sales managers and regional officers across retail asset vertical with assessment at the end of the training program to further enhance their product knowledge and productivity.

The COVID-19 outbreak, which led to a complete shutdown of the economy dented the growth in loans and disbursements during the first quarter of the year. However, the festive demand and revival in economic activities on back of government initiatives boosted the consumer demand from second quarter of fiscal 2021. As a relief measure for people in view of the coronavirus pandemic, the Bank assisted its customers to avail moratorium. The Bank also launched Emergency Credit Line Guarantee Scheme for existing B2B and MSME customers in rural segment.

The Bank also continued to invest in building risk management and analytical capabilities to mitigate risks, and improve the profitability of its retail products. In Retail, the Bank tightened its underwriting criteria across product lines based on profiles, industries and nature of products and also re-calibrated scorecards to reflect the inherent risk in borrower profiles. The Bank also strengthened its collections capacity across the board in Retail. The Bank's prudent credit evaluation policies and processes have enabled it to maintain a well-balanced portfolio and developed calibrated approach to managing NPAs.

Retail Payments

The recent years have seen a tremendous shift from cash to digital & card payments. With the convenience and security that digital payments solutions bring, customers are increasingly becoming comfortable transacting online and using digital payment options. With the government too promoting digital payments aggressively, the industry has seen massive developments and there remains a large opportunity for further growth.

Payments business continues to be at the core of Bank's Retail Banking strategy as it signifies the face of the franchise, increases customer engagement and drives profitability. To cater to the growing digital payments users and as part of the journey to build iconic payment products the Bank launched the ACE Credit Card in collaboration with Google Pay. The card offers best in class unlimited cashback of 2 to 5% across various spend categories.

The tokenization feature enabled in partnership with Visa allows Google Pay users to make card-less payments. In recent times, the Bank has also seen significant growth in customer spends in the health and wellness categories. The Bank launched the Aura Credit Card in order to tap this growing market. The card comes loaded with some great health and wellness related benefits. The Bank has tied up with major online pharmacies, medical consultancy providers and sports goods provider among others for these curated health and wellness solution.

The Bank's marquee card proposition 'Flipkart Axis Bank Credit Card', a cobranded credit card in partnership with ecommerce giant Flipkart crossed a significant milestone of 1 million cards in force (CIF) in a record time of 20 months from its launch despite the pandemic slowing down the acquisition growth for a few months.

There has been a significant focus on introducing and promoting industry-first digital features as well. The Bank launched Video KYC feature for customer onboarding on the Flipkart platform to facilitate fully digital card issuances. The Bank also facilitated better customer experience by making available billing summary, bill payment, account summary, cashback summary, managing the usage of card (as mandated by RBI) and several other essential features digitally available on the Flipkart platform for the Flipkart Axis Bank credit cardholders.

During the year, the Bank introduced the Industry first feature loaded Debit Card along with Video KYC based savings accounts. The E-Debit Card allows customers to start transacting immediately after opening the account and carries spend linked benefits. The Bank also launched the Liberty Debit Card for the re-branded prime segment.

The Bank also witnessed significant migration to digital based sourcing through straight through applications during the year with 72% of cards sourced digitally in fiscal 2021 as compared to 38% in fiscal 2020.

With continued focus on increasing penetration of Contactless payments, the Bank recently launched Wear 'N' Pay, its own range of wearable contactless payment devices, making payments truly on-the-go and convenient for its customers.

The Bank's Merchant Acquiring business continues to be one of the largest acquirers in the country with a base of over 6 lakh installed terminals. The Bank's Acquiring Throughput grew 36% as compared to Industry's growth of 21%, with its market share up 140 bps from 11.9% in March 2020 to 13.3% in February 2021. The Bank continued to invest heavily in creating state-of-the-art merchant user experiences. The Bank enabled "Tap & Go" & "Tap + PIN" on 2 Lakh+ terminals facilitating Contactless payments.

During the year, the Bank launched first of its kind "Android PoS" - a smarter, sleeker terminal loaded with value added services such as Khata, Card-less EMI & integrated BQR contributing to 40% of the Sourcing. The early indicators are encouraging with 30% higher activity and ticket size of transactions than other terminals. In a quest to expand beyond traditional payments and be central to the Merchant Ecosystem, the Bank has forayed into integrated solutions for Kirana stores with digitization programs where a Kirana retailer can now order inventory, manage stocks, accept payments and even facilitate home delivery requests through the Axis Android terminal. The Bank's Acquiring team has digitized more than 50k+ merchants, adding 1Lac+ terminals in the last quarter of fiscal 2021.

Fiscal year 2021 was a watershed year for UPI payments with transaction volumes witnessing tremendous growth to 22.3 billion PSP transactions led by government push and customers increasingly opting for contactless payments due to the COVID-19 pandemic. The Bank maintained its strong positioning in the UPI space with a market share of 16.7% as Payer PSP. During the year, the Bank also went live as a PSP partner for PhonePe & WhatsApp and the Bank now has partnerships with all the major third-party UPI apps in the ecosystem (including Google Pay & Amazon Pay) with more than 16 crore customer VPAs registered as on 31 March, 2021.

In addition to building on partnerships and growing the UPI franchise, the Bank focused extensively on improving the customer and merchant experience by improving processes and eliminating bottle necks in terms of back-end operations. In order to keep up with these ever-increasing volumes, the Bank proactively upgraded its IT capabilities by setting up a dedicated system to exclusively handle UPI transaction volumes in September 2020. As a result, the Bank has been able to minimize technical declines significantly, with the lowest figures among peer banks – with remitter TDs as low as 0.1% (in January 2021) and ending the year at 0.6% (in March 2021).

In line with the Bank's credo of offering the best-in-class payments experience to customers and merchants, the Bank was one of the first banks to go live with NPCI (as issuer and beneficiary) for the online dispute redressal mechanism (ODR) on 1 March, 2021.

With the digital payment wave in India here to stay, the Bank remains committed towards bringing in more digital and new age payment solutions while enjoying a strong market position across most digital payments space in India.

With the onset of second wave of pandemic, the Bank will continue its cautious approach and has employed various guardrails to protect the cards business from credit risk downturns for both new sourcing as well as its portfolio products.

Wealth Management

The Bank's wealth management business 'Burgundy' continues to be among the top wealth management franchises in the country with assets under management of over 2.13 trillion as on 31 March, 2021, a growth of 45% over the previous year and 28% CAGR growth in the last 4 years. Product innovation, enabled by an open architecture framework, a robust technology platform, training & development of talent along with efficient execution even in situations when business continuity was challenged were the key enablers in of growth during the year.

In the backdrop of an unprecedented COVID-19 event, the Bank's Burgundy Wealth Management team responded with agility and embarked on 'Project Outreach', an initiative to connect with the customers. The intent was not only to ensure the well-being of their health and investment portfolio, but also assure them that the Bank is open for all their financial requirements. Investors were also educated on the assisted and Non-Assisted (DIY) modes for the easy, secure and swift digital execution of their financial transactions.

The Bank also launched several new products, across asset classes, to provide wealth management solutions to help customers in managing & growing their investment portfolio and to meet the protection needs of self & family. The Bank launched the fully digital premium banking account opening journey for NTB customers. The Bank's monthly One Glance Statement (OGS) now provides more information about the relationships the customers have with the Bank. In line with the Bank's One Axis strategy, the wealth management team partnered with the Bank's subsidiary companies to offer unique products for customers to diversify and invest in bonds & debentures, equity of listed & unlisted companies in India and remit money under the Liberalized Remittance Scheme to invest in securities listed on the US stock exchanges. The Bank remains committed to this path of innovation and value creation in the wealth management ecosystem.

The customer-centricity during the lock-down and thereafter, along with the innovative product offerings helped in growing the Burgundy base to 1.70 lacs across the globe, a 22% CAGR growth over the last 4 years.

Burgundy Private, the Bank's private banking business completed its first anniversary during the year. The Burgundy Private proposition is a comprehensive and personalized offering that leverages the strength of 'One Axis' to meet specialized wealth and banking needs of the high- and ultra-high net-worth client segments. The Burgundy Private team has expanded with 84 Partners across 20 locations in the country. This team has considerable vintage in the private banking & wealth management industry with capabilities to manage the diverse needs of private clients.

The year has seen Burgundy Private achieve strong growth in a challenging environment. Burgundy Private now manages over 1,666 UHNI and HNI families (95% growth since March'20) with Assets Under Management of around ₹ 50,000 crores (96% growth since March'20).

Retail Forex and Remittance business

The Bank offers a range of forex and remittances products to its retail customers, which include forex cards, inward and outward wire transfers, remittance facilities through online portal as well as through collaboration with correspondent banks and exchange houses.

The Bank continues to be one of the largest players in prepaid forex card market with its flagship offering of Multi-currency card that allows users to load 16 currency options in one card. The Bank launched 'Axis Bank Club Vistara Forex Card', the first co-branded Forex Card in association with an Indian Airline, Vistara Airlines, in October 2020. This offering is in addition to the 'World Traveller Forex Card' already offered by the Bank in association with Miles & More, Europe's largest traveller loyalty programme.

In line with the rapid customer adoption of digital channels for banking transactions, the Bank provides convenient online offerings across the Retail Forex and Remittance product portfolio. Remit Money, an online remittance portal available to NRIs across 7 geographies, provides competitive and user-friendly platform to send money to their beneficiaries in India. The Bank's customers can initiate outward remittances through their Internet banking access without having to submit any paperwork. This convenient option resulted in continued increase in the number of transactions processed through this channel on a yearly basis. The Bank also offers instant reload facility to its account holders on their Multi-currency forex cards for travellers on-the-go who need not worry anymore about running out of cash while abroad. During the year, the Bank launched outward remittance on mobile app and fully digital forex card issuance platform in the retail forex business to enhance the customer proposition. Customers can now send outward remittances in 100 currencies from the Bank's mobile app. Similarly, customers can also avail a forex card from any of the Bank's digital channels.

Third Party Distribution

The Bank is one of the leading distributors of third-party products including mutual fund schemes, life insurance, health insurance and other general insurance policies. The Bank offers comprehensive investment and protection solutions, to cater to the diverse needs of each customer segment, adopting tech-enabled delivery mechanisms across all customer touch points.

With a total Mutual AUM of ₹47,370 crore, the Bank continues to be the fourth largest distributor in the industry and had 1.8 million mutual fund customers as on 31 March, 2021. The Bank through its dedicated in-house research desk, identifies the best mutual fund schemes based on qualitative and quantitative parameters. Currently, the Bank distributes Mutual Funds schemes of 21 major Asset Management Companies, through its diversified branch network and digital channels based on the customers' lifecycle and investment requirements. The Bank also offers various Alternate Investment Products to its customers, as approved by SEBI.

The Bank offers online trading services to its customers in collaboration with Axis Securities Ltd under the brand name Axis Direct. Through its branches, the Bank has sourced more than 2.5 million total customers for Axis Direct.

The Bank is one of the fastest growing Bancassurance player in the industry with 39% YoY Growth in life insurance premium and 55% growth in general insurance premium. During the year, the Bank secured 1.1 million lives taking the total number of lives secured since inception to 3.5 million through Life and health Insurance products.

The Bank in its life insurance distribution business has a tie up with Life Insurance Corporation of India, Max Life Insurance Company Limited and Bajaj Allianz Life Insurance. The Bank' strategy of adopting an open architecture helped the Bank to increase penetration and grow faster than the industry led by its strong product offerings and improvement in persistency. Digital initiatives continue be the top-most priority for the Bank which will help in streamlining the customer on-boarding and servicing processes.

In General Insurance, the Bank continues to grow by increasing customer penetration and by bringing in contextual products powered by TATA AIG General Insurance Company Limited, Aditya Birla Health Insurance Limited and Bharti Axa General Insurance Company Limited. In this financial year, the Bank has invested in building new channels of distribution with introduction of general and health insurance products for corporate banking customers and merchants.

Immediate response to COVID-19 with contextual product launches and paperless processes have resulted in strong growth of third-party products during the year. Third Party Distribution contributed 16% of total retail Bank fee income in fiscal 2021.

In line with the Bank's strategy to enable remote banking, sales processes were redesigned to enable paperless journeys. The Bank introduced direct-to-customer journeys for third-party products on its mobile banking app and internet banking to ensure access of such products anytime, anywhere. To enhance customer experience, frictionless journeys leveraging Bank's KYC for Insurance sales were introduced. The Bank also launched online KRA KYC based C-KYC on PFM for Mutual Funds. The Bank continues to focus on reimagining end to end journeys and build a digital ecosystem for third party product distribution.

Priority Sector Lending

The Bank continues to pursue a focused strategy on achieving the Priority Sector Lending (PSL) targets and sub targets prescribed by the regulator. The Bank also continues to undertake activities that promotes financial literacy and awareness of the banking services with an aim to cover the under banked borrowers under this PSL drive.

The Bank as part of its Deep Geo strategy has been working towards increasing its presence in specific rural and semi urban geographies across India, that offer high potential for growth in rural advances and MSME lending. During the year, the Bank continued to focus on augmenting the small ticket size loans, crop loans to small and marginal farmers and microfinance business targeted at women borrowers from low income households. The Bank also enhanced its digital lending channels to facilitate quicker turnaround time for sanction and disbursement of loans to MSME borrowers.

The Bank's PSL achievement during fiscal 2021 was 41.7% as compared to the stipulated target of 40% of Adjusted Net Bank Credit. The Bank through organic book and purchase of PSL certificates (PSLC) achieved the PSL targets at the headline level as well as at each subsegment level in fiscal 2021. During the fiscal 2021, the Bank purchased PSLCs of an aggregate amount of ₹59,721 crores at a cost of ₹1,014 crores and sold PSLCs of an aggregate amount of ₹49,976 crores.

Digital Banking

Over the years, the Bank has been at the forefront of providing cutting edge digital solutions to its customers. The Bank continues to remain focused on delivering a distinctive experience and offering digitally native product propositions to its customers.

During the year, the Bank made significant progress on its Digital Banking strategy with focus on transforming the core, re-imagining end to end customer journeys and being partner of choice for the ecosystems.

The Bank has built strong in-house capabilities over the last 18 months with over 800+ people fully dedicated to digital transformation of the Bank. The Bank also has 125+ member team in-house engineering team comprising product managers, developers, designers, digital marketing specialists etc with over 80% of them from non-banking backgrounds such as consumer internet, fintech etc.

The Bank continues to focus on developing full stack digital foundation using advanced analytics and intelligent automation across business operations. The Bank has set up Agile operating model with Dev-ops infrastructure and the new customer proposition development is cloud native.

The Bank's approach to reimagining customer journeys is OPEN.

O

Zero-based redesign, putting customers at the center and rebuilding the entire journey with a '0' operations orientation.

P

Building Proprietary in-house capabilities that would lead to distinctiveness and differentiation.

E

Ecosystems capable; building solutions keeping both Axis Bank and partners in mind.

N

Numbers or metrics-orientation.

During the year, the Bank made significant progress towards redesigning and simplifying customer journeys and improve customer experience. The Bank introduced a number of digital products including video KYC based on boarding for savings accounts, current accounts and credit cards; new digital investment and insurance journeys across mutual funds, PPF, life and general insurance; digital FDs for NTB customers and GST based digital lending for small businesses.

During the festive season, the Bank launched 'Grab deals', a shopping portal offering great discounts to Bank's customers. The bank also introduced digital collection modes both on channels as well as on partners via BBPS. The bank has recently launched banking through WhatsApp for all banking products across savings account, credit cards, deposits and loans. During the year, 71% of savings accounts opened were through tab banking, 72% of credit cards, 71% of fixed deposits and 40% of new mutual fund SIPS were acquired digitally. The Bank expects these digital propositions to start contributing to the Bank's incremental revenues and growth profile in coming years.

One of the key focus areas of the Bank's Digital strategy is to increase efficiencies and deliver better cost income profile for the Bank by transforming the processes and operations. The introduction of digital products has led to significant reduction in turnaround times, reducing the documentation and enhancing customer satisfaction.

During the year, the Bank shifted over 60,000 staff on Bring Your Own Devices (BYOD) program and enabled access to critical systems such as CRM on mobile devices that helped them to remain active during COVID-19 phase and contributed to productivity. Further, under the branch of the future initiative, the Bank introduced a number of digital servicing options which provide instant servicing of customer requests and reduce operational workload in the branches. There are more than 250 services available on the Bank's digital channel that help people to move away from branches to digital channel.

The Bank has now established marquee partnerships at scale with Amazon, Flipkart, Google Pay and other fintech firms and has made significant progress in building API infrastructure. The Bank also became one of the first institutions to go live on the Account Aggregator framework, a progressive initiative introduced by the RBI to allow customers to share their data with other institutions based on their consent.

The Bank's initiatives on the digital front have been widely recognized. The bank was awarded the "Best Bank Award for Innovation" in the Business Today - KPMG India's Best Bank Awards. Similarly, the Bank was awarded the "Best Digital Bank" by publications like Asiamoney and Financial Express.

Wholesale Banking

The Bank today presents itself as a large full-service Wholesale Bank which caters to all the Banking needs for corporates across lending products, investment banking, capital markets, commercial Banking and transaction banking with linkages to the Retail Bank.

The Bank's Wholesale business segment provides entire bouquet of products and services including cash credit facilities, demand and short-term loans, project finance, export credit, letters of credit and bank guarantees, foreign exchange and derivative products. Liability products such as current accounts, certificates of deposits and time deposits continue to remain key focus area for the Bank.

During the year, the Bank strengthened its leadership team and made certain organisation structure changes in the Wholesale segment across the coverage and product segments to streamline operations, bring in greater business focus and drive profitable growth. The segregation of business relationship groups and product specialists ensured a sharper focus on cross-sell across corporates. The Bank has maintained a relentless rhythm and rigor on disciplined execution while significantly strengthening the credit function and the compliance culture.

The Bank also continued with its approach to deepen client relationships and provide holistic banking solutions by capturing the entire corporate value-chain leveraging 'One Axis' capabilities across the Bank's various business segments and its subsidiaries. The Bank also strengthened its operations and service infrastructure apart from the wholesale product offerings, to drive synergies across the Axis Group.

Wholesale Banking Coverage Group

The Bank's Wholesale Banking segment operates seven major lines of business, serving a diverse customer market segments across large corporates and strategic clients, mid corporates, small and medium enterprises, government business, multi-national companies and financial institutions.

During the year, the Bank continued with its effort to create an integrated Wholesale Banking franchise through its re-oriented structure to meet the specialised financing requirements of its clients. The Bank continued to focus on leveraging the strong relationship it enjoys with corporates to focus on gaining a higher share of shorter tenure working capital and transaction banking businesses. The Bank's Wholesale Coverage Group delivered "One Axis" to its customers through various credit products, trade, forex and derivative solutions, payments and cash management systems, tax payments, salary accounts and trust services, commercial credit cards etc. with the support of a well-defined Wholesale Banking Products team.

During the challenging year that saw businesses getting impacted severely on account of COVID-19 related lockdowns, the Bank reached out to a large number of its existing and new clients in their hour of need and developed a deeper engagement through the Targeted Long Term Repo Operations (TLTRO).

The Bank continued with its strategy of sectoral approach to portfolio diversification where the focus has been on identifying sector specific opportunities and risks; and grow accordingly. The Bank has defined industry, group and rating based single borrower exposure limits and monitors it on a regular basis with a view to identify risks and proactively mitigate the same.

The Bank continued to diversify its loan book emphasizing on segments that offer high growth opportunities and better RAROC. The overall corporate loan book including TLTRO investments grew by 16% YOY, with segments like mid corporate, government coverage and MNC growing by 31%, 66% and 49% respectively. The Bank in its mid-corporate coverage segment strengthened the team and expanded its presence to 20 cities during the year.

Approximately 94% of new sanctions in the corporate book were to companies rated 'A-' or better. As on 31 March, 2021, 85% of outstanding standard corporate book consisted of loans to companies rated 'A-' and above. Further Portfolio diversification through a sectoral approach to credit has helped the Bank to continue reducing the concentration risk.

During the year, the Bank reviewed and optimised its overseas operations in line with the overall corporate strategy of focusing on domestic corporates. The Bank has consolidated its corporate banking, trade finance services, treasury & risk management solutions offerings through its Dubai, Singapore & GIFT City branches. The overseas loan book constituted 15% of the overall corporate book in fiscal 2021. The funding is largely to Indian conglomerates and public sector entities with over 95% of standard book being India linked and 92% of it rated A- and above.

The Bank over the last few years has deepened its presence by integrating into the customer ecosystem across the value chain. On the payments side, the Bank continues to gain market share by developing unique value proposition to vendors and other stakeholders. The Bank's market share in GST payments improved to 9.2% for the quarter ended March 2021 from 8.8% at the end of March 2020. The Bank's Wholesale Banking coverage group continues to focus on digital innovation with improvement in process quality at the core. The Bank launched 'E-execution' of loan documents for its Wholesale Banking clients during the year wherein the customer can digitally sign documents by way of Aadhaar authentication. The initiative is an industry first and has immensely contributed to the ease of doing business for customers.

As economies and communities around the globe continue to face the wrath of the pandemic, macroeconomic conditions have also been impacted and remain uncertain. The Bank's early assessment and proactive measures to manage the evolving situation, a conservative stance on risk and a sharper focus on customer coverage helped the Bank during this challenging period. The Bank's institutional approach and coverage quality has been recognized and appreciated with Axis Bank emerging as the no. 1 bank and the only domestic bank in the "Large Corporate (Institutional and Coverage Quality) leader" category award at the 2021 Greenwich Excellence Awards.

Commercial Banking

The small and medium enterprises (SME) business is of strategic importance to the Bank as it remains one of the most profitable business segments for the Bank with high PSL compliance and cross sell opportunities.

The Bank's Commercial Banking business emphasizes on building and deepening banking relationships with the small and medium businesses across the country. The Bank caters to serve the unique and evolving financial needs of this crucial sector of the economy with wide range of customised product offerings including working capital finance, term loans, trade products as well as other banking services like cash management, foreign exchange, salary accounts, trust services etc.

The Bank's Commercial Banking Coverage group (CBG) continued its strategy of business growth by identifying and undertaking small to medium sized exposures across multiple sectors in SME space, with a focus to proactively manage and mitigate risk. The Bank has a strong network across the Country offering best in class service through 121 dedicated CBG Centres and the business being delivered through more than 2,100 Branches. The SME book remains well diversified across the geographical regions and across all major industrial sectors.

During the year, the Bank has taken various initiatives under "Project Sankalp" with sharp focus on digital transformation to bring in efficiency in processes and develop sales enablement tools to improve customer experience and deliver growth. Digital workflow-based loan on boarding and approval system was made live resulting in quick disbursement turnaround time (TAT) from baseline along with better underwriting and risk mitigation controls. Further, the Bank developed digital tool that provides all customer related data points on single window, along with enhanced tracking and lead management support for relationship managers that has significantly improved their productivity.

The Bank continued to support the businesses during the COVID-19 pandemic that had adversely impacted the SME customer segment in first half of fiscal 2021. The Bank's CBG team at multiple times demonstrated the Axis Core Values by proactively reaching out to customers during the lockdown to ensure seamless and hassle-free customer service. During this period, in accordance with RBI guidelines related to COVID-19 relief packages, the Bank also granted moratorium period to eligible borrowers. Further approx. ₹7,300 crores of loans were sanctioned out of which more than 90% of the loans were disbursed to eligible borrowers under the Government's Emergency Credit Line Guarantee Scheme (ECLGS).

Notwithstanding the uncertain business scenario, the Bank's SME loan book showed steady growth in fiscal 2021 on back of its strong relationship network and continued focus on improving its processes using digital platforms. The Bank's SME advances stood at ₹69,850 crores as at 31 March, 2021 and constituted 11% of the Bank's total advances as on 31 March, 2021. Inspite of slowdown in first half of year, the fee from CBG segment witnessed a growth of 9% YOY thus strengthening the overall profitability. The asset quality in the CBG segment has remained stable with strong focus on sourcing high rated customers. Continuous monitoring of exposure and usage of various Early Warning Systems to take corrective action wherever necessary, remain an integral part of Bank's overall portfolio management and risk mitigation.

While the business has started coming back to normal, the second wave of COVID-19 may cause fresh challenges with MSMEs being hit the most. While the more accommodative fiscal stance of the Government and initiatives like ECLGS extension will support the sector, the loan book will be continuously monitored closely to ensure that any support required at portfolio level is made available at the right time to ensure that the portfolio is risk free and healthy.

Wholesale Banking Products

The Bank has strengthened its position as a transaction bank led by its focus on providing holistic product offerings to its clients across corporate, commercial banking, financial institutions and government segment. During the year, the Bank re-aligned its product team structure, initiated the process of revamping its service architecture and continued to drive the digital penetration across its product offerings in order to step up revenue growth and profitability while delivering best in class customer service.

The Bank continues to focus on increasing the share of transaction banking or flow-based businesses that include current accounts, collection & payments solutions, trade services and forex remittances. The key financial deliverables of the business are current account float balances and fee income. Despite the impact of pandemic, the Bank delivered 15% growth in average current account balances and 9% growth in transaction banking fee income led by its focus on cross selling products. The Bank also increased its market share and positioning across various solutions. The Bank's market share in GST payments increased by over 100 bps to 9%. The Bank also continues to be raked no. 1 in terms of new biller additions in Bharat Bill Payments Services (BBPS).

Current Account

The Bank's focus on deepening relationships and engaging with corporates on multitude of payments and collections solutions helped the current account balances to grow 26% during the year. Further, digitization of products and offerings helped in driving productivity and efficiencies along with better customer experience. During the year, the Bank enabled acceptance of digitally signed documents for over 40+ Current Account related processes reducing the burden on corporates. The Bank also developed and launched a smart application, a first of its kind in the industry for opening Current Accounts for partnerships and companies that can be run on bring-your-own-device (BYOD) environment, thereby reducing the account opening TAT and providing instant allocation of account number to clients.

To strengthen the on-boarding journey, the Bank launched the Full Power Digital Current Account for the Individual customers to open Current Accounts seamlessly on the Axis Bank's website as well as on partners' platforms. The Bank was also empanelled with the MCA (Ministry of Corporate Affairs), so that the entities while applying for company incorporation on the MCA website, can also opt for opening of their first Current Account with the Bank during the incorporation process itself.

Continuing with our endeavour to make the current account opening process simpler, faster and attuned to the changing needs of customers in today's prevalent pandemic situation we have also introduced SMART PDF for Account opening form and Signatory change form which enables customers to fill out and submit forms digitally in a seamless way. Artificial Intelligence (AI)/Robotic Process Automation (RPA tool) was also launched for extraction of the information mentioned in the Board Resolution in the format which can be easily understood by the branch resources and Relationship Manager/s to process the on-boarding and signature changes effortlessly.

Cash Management Solutions

The Bank provides comprehensive and customizable cash management solutions that enable faster fund movement. During the year, the Bank introduced several new features on the Corporate Internet Banking platform, like bulk approval of GST transactions, the self-service option for customers to create, manage and swap their users online, etc thereby reducing the dependency on physical staff for processing manual paper-based requests. Also, as a part of initiatives post COVID-19, Bank facilitated paperless on boarding of customers by accepting digitally signed documents from authorized signatories. Digital experience, activating and enabling of RTGS and NEFT 24*7 on corporate internet banking (CIB) for all clients. We have gone live with simplified CMS implementation form across all products. In addition, UPI sub-membership was also launched which enabled non-member banks to process UPI transactions for their customers; along with open APIs facilitating single & bulk payments, payee management, accounts reconciliation and other value-added services like automation of GST invoices, IFSC validation, fetching CC/OD limits, etc.

The Bank in collaboration with Invoicemart launched an industry first offering **"OneConnect"**, an integrated payment & bill discounting solution. This solution has been awarded "Best Banking innovation of the year" by Finnovite and "Best Banking technology" by India Digital Awards in 2020.

The Bank was the first bank to make Electronic Payment Advise (EPA) live in Public Financial Management System (PFMS). This helps the Government agencies making payments through PFMS without Digital Signatures (DSCs) to get an option for payment authorization using Internet Banking instead of visiting branch for physical authorization. On the CMS collections front, paperless on-boarding for all products was made possible. The Bank was also among the only two banks to go live for online payment of caution money by sellers registered on Govt. e-Marketplace (GeM).

Sector-focused solutions: The Bank has been focusing on providing holistic solutions for select sectors by offering digitization of value chain along with better liquidity management. With Healthcare sector being the focus this year, the Bank worked on a holistic solution to facilitate hospitals/diagnostic centres in collections across various channels and also streamline their reconciliation process. In addition, new digital initiatives like ordering solution & UPI offerings were taken up by the Bank for Dairy & FMCG sector.

The Bank has also customized digital platforms & solutions for the Agriculture sector. The Bank has been empanelled with eNAM (National Agricultural Market), a government initiative to facilitate farmers, traders & buyers with online trading in commodities. The Bank successfully on boarded major mandates from several State procurement and supply corporations during the year.

Bharat Bill Payments Services (BBPS): The Bank also developed an in-house BBPS (Bharat Bill Payment System) engine and designed a comprehensive solution for billers and aggregators whereby they can participate in the BBPS platform. The Bank expects BBPS to position it as a leading digital player, helping in client stickiness and generate incremental revenues.

Smart City Solutions: The Bank designed a first-of-its-kind Smart City Solution that includes a prepaid smart card/wallet, a mobile app and a web portal which empowers citizens to make cashless payments, apply for services, raise grievances, etc. New smart solutions offered by the Bank during the year included temple management, hospital management & institute management.

Trade and Risk management Services

The Bank offers a complete suite of products and solutions for domestic trade as well as international trade finance, supply chain and foreign exchange business through its designated corporate banking branches and forex "B" category branches spread across the country supported by centralized operations units.

The Bank continues to enhance its digital capabilities to offer value added services to corporate clients through its integrated digital platform. The Bank was one of the first banks to facilitate presentation of trade related documents through electronic mode during the COVID-19 lockdown where physical movement of documents was restricted. The Bank also launched 'paperless' services for exporters and importers for certain types of transactions.

The Bank 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 /organizations /PSUs with value added features like integrated responses and faster turnaround time.

Supply Chain Finance

Supply Chain Finance (SCF) business works in close coordination with corporates under various industry sectors. The SCF business activities that are closely related to the industry off take and macro-economic factors, have gradually recovered in second half of fiscal 2021 after the lockdown was lifted and the anchors resumed business. Asset utilization witnessed strong sequential improvement in the last quarter of fiscal 2021 and the disbursement throughput too grew on YOY basis. The Bank added 110 new corporate anchor programs in fiscal 2021.

Supply Chain Finance asset book primarily consists of products like dealer finance that constituted 78% of the book while the other products like vendor finance, factoring and payable finance formed the rest. Other products like vendor finance, payable finance and factoring witnessed strong growth in fiscal 2021and helped to improve product mix. Continuous portfolio monitoring and timely implementation of credit decisions throughout the year has further helped us to maintain credit health of the portfolio. The Bank has also set up robust stock inspection and invoice audit process with increased frequency and actionable based process for monitoring of accounts. The Bank is closely monitor the effect of second wave of COVID-19 in this segment, and is well prepared to take required corrective steps at right time.

Correspondent Banking & Payments

Correspondent Banking maintains Nostro and Vostro relationships of banks across various geographies. The Bank enters into correspondent banking relationship to grow cross border business and offers more options to customers for inward & outward payments. The Bank offers products and services to customers such as retail / non-retail remittances, cheque clearing, trade finance, treasury payments etc. Currently, the Bank has relationships with over 1,000+ banks worldwide in more than 100 countries, thereby providing its customers a widespread global reach.

Treasury & Markets

The Bank's Treasury & Markets function comprises of Asset Liability Management (ALM), Forex Trading group (including Currency Derivatives & Bullion), Interest Rate Trading (IRT) (including Rupee Derivatives) & Primary Dealership, Non SLR Trading (including Equity), Debt Capital Markets, Treasury Sales and Loan Syndication business.

Treasury Sales team is responsible for supporting the coverage team to drive the Forex and Derivatives business of the Bank. The team provides customised risk management and hedging solutions s to the customers for any trade or capital account transactions.

The Bank's 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.

The Bank's Forex Trading Group is a major participant in the foreign exchange and derivatives market and undertakes proprietary trading and market making in forex and derivatives products. The IRT Trading desk plays an important role of market making and trading in G-Sec, OIS & other interest rate products. The Bank is primary dealer of Government securities. PD desk ensures mandated bidding commitments, success ratio & turnover ratio for T-bill auctions /G Sec are achieved for the year. The non SLR Trading desk undertakes primary and secondary market investments in corporate bonds, commercial papers, certificate of deposits, and equity instruments. The Bank's Corporate Bond Book as on 31 March, 2021 stood at ₹34,904 crores.

The Bank in its loan syndication business primarily focuses on sourcing, structuring and syndicating the underwritten loan mandates in rupee as well as foreign currency to various investors i.e. banks and financial institutions. The Bank continues to remain a dominant player in the Debt Capital Market (DCM) segment. For the fiscal year 2021, the Bank arranged bonds and debentures of close to ₹90,000 crore. The Bank maintained its leadership position in rupee denominated bonds, as per Bloomberg for the 14th consecutive calendar year.

Customer Experience and Transformation (CXT)

- *Customer Experience:* The Bank aspires to deliver exceptional Customer Experience (CX) and has put in place a CX measurement and actioning framework which takes regular feedback from the customers for every journey and touch-point across products. This feedback is taken by having direct customer interactions to understand issues and subsequently develop action plans to address the same; this has allowed the Bank to achieve its internal CX target for fiscal 2021.
    - o This CX measurement framework now covers all relevant areas of Retail Banking (coverage increased by 65% in FY21) while establishing a baseline for all Wholesale Banking segments for the first time. The Bank intends to establish the baseline for Commercial Banking Group in the first half of fiscal 2022.
- *Transformation:* In fiscal 2021, 220+ high priority projects were launched to drive transformation across all areas of the Bank in order to improve customer experience, business growth, strengthen the core and reduce risk
    - o The transformation projects remain largely on track with 85% of this program completed, and over 50% of the projects delivered and closed.
    - o The role of the branches is expected to change rapidly over the next several years and hence, "Branch of the Future" program has been launched to reimagine the role of the branches in delivering exceptional customer experience. In the near term, this program will free up time of branch staff, capability building and technology enablement to create a greater focus on customer engagement.
    - o As part of the Transformation exercise, Bank has been working towards adding greater focus around incorporating steps based on analysis of customer complaints and service requests.

      The Bank has reported 360,342 number of customer complaints in fiscal 2021 (fiscal 2020 complaint numbers reported were 200,484). The number of Customer Complaints reported in fiscal 2021 vis-a-vis fiscal 2020 are not comparable since there has been a change methodology in tagging of complaints in fiscal 2021. In line with the bank's philosophy of being a highly customer centric organization, as also to bring greater focus in the areas where customers may be inconvenienced, larger number of "issue types" are now being tagged as "Complaints".

      While there is no industry-wide consistent definition around tagging of "complaints", the revised definition adopted by the bank is useful in better regulatory governance as well as in identifying further areas for improvement in product, process, policy, people and technology with a view to provide greater "convenience" to customers and thereby reduce "customer complaints" from revised baseline.

Business Intelligence Unit

The Bank has an in-house Data Science and Artificial Intelligence (AI) team providing cutting edge solutions to various functions of the Bank. The Banks' Business Intelligence Unit (BIU) team is responsible to create data assets and monetize them with time and has numerous success stories in the area of risk management and operational optimization. The team has successfully deployed and driven adoption of predictive solutions not only in Retail but in Corporate banking area as well. There are over 400 members in the team who are young and techno-functional with an expertise in distributed computing and algorithms catering to big data, new age programming language like Python and deep learning frameworks like TensorFlow, Keras etc.

The Bank has invested in new age data science and engineering platforms – Big Data Lake and Analytical Work Bench to deliver value in traditional/non-traditional use cases and there has been upward trend in the adoption rate of these platforms. The Bank's focus on Artificial Intelligence (AI) & Machine Learning (ML) along with traditional analytics has helped to serve internal stakeholders well in making business decisions.

During the year, BIU played a crucial role in identifying revenue optimization opportunities in Retail Bank by helping the product team to launch new fee lines and rationalizing some of the existing fee lines. Deemed up-migration program (analytically identifying high potential customers in lower segments for up-migration), CRM intelligent automation (assigning SA leads to sales executives in a data driven approach), Financial health score (analytical score for customers to showcase their financial health basis spends, investment, credit behavior and protection needs) and District level branch KPI dashboards for deposit market share benchmarking were few other initiatives taken up on Retail deposits side.

The Bank has successfully navigated through COVID-19 using various strategies which also involved creating a centralized district level database using RAG framework and mapping all business metrics/ insights, including annual growth in existing business sales, new sales, CC limit utilization, Merchant Acquiring Business, etc. This year, the Unit also played a key role in building and executing moratorium strategy seamlessly across all lending customers. The focus was to re-purpose bank's lending & cards sourcing strategy through creation of orthogonal risk models and changing risk framework in pre-approved/ pre-qualified programs by creating stress scenarios. During the year, the Bank's data analytics team also actively worked on creating NPA provision scenarios on account of COVID-19 impact and re-modelling the framework for retail collections strategy through appropriate segmentation of current lending book.

Information Technology and Cyber Security

The Bank's Information Technology (IT) strategy remains guided by its vision of being a customer-centric organization with a robust, state of the art technology platform to achieve its growth, profitability and sustainability objectives. The Bank continues to focus on the six key imperatives that include end-to-end customer journey digitization, accelerating delivery, modernizing the core to deliver profitable growth, fix the basics to build a sustainable franchise, talent and culture, and Risk and governance.

The Bank's Information Technology (IT) department manages all banking applications through a talented central IT team having strong domain capabilities in banking, treasury, channels, payments and collections, along with technical capabilities. The IT operations are managed through a cross-functional team involving functional and technical experts.

During the year, the Bank took various technology enabled business initiatives to facilitate the Bank's journey towards driving sustainable growth and improving customer experience with the help of digital banking, leveraging the Bank's payments business capability, sustained focus on analytics, and providing self-assisted capability to customers.

Following the COVID-19 pandemic, the Bank has prioritized the initiatives across its digital channels to cope with the change in customer engagement. The Bank has already delivered products such as ASAP a/c opening, full Video KYC capability for account opening, PPF account openings, Mutual fund KYC, digital collections on its digital platforms to improve customer experience.

The Bank has been committed to providing uninterrupted service to our customers. The Bank actively encouraged large scale Work-From-Home mandate and provided all enablement necessary to support our employees to efficiently perform their duties. The Bank triggered enterprise mobility and collaborative tools like MS Teams and Intune, ramped up VPN/VDI capacity, quick provisioning and allocation of laptops across all critical employees. In order to provide employees the convenience of using their personal devices for sales and servicing activities, the Bank rolled out BYOD compatible applications across products and businesses.

With the objective of making banking simple and hassle-free for customers, the Bank has undertaken various technology driven business initiatives to deliver value through continuous technology adoption and innovation. For example, the Bank has embarked on a transformation journey that cuts across all aspects of IT function and focuses on areas like Engineering excellence - Agility and DevOps, Channel architecture - Omni-channel experience , Application & data architecture - application upgrade & advanced analytics capabilities, advancement of enterprise integration, and standardized & virtualized infrastructure. This will enable faster and more efficient delivery of tech projects, improve quality and resilience and deliver critical business and operational capabilities.

While pushing to deliver new customer facing products, the Bank has also strengthened its infrastructure to maintain high performance and availability standards expected by customers and regulators. The Bank is re-architecting its technology infrastructure to be Cloud native to allow the necessary agility, speed and flexibility for scale. The Bank has a multi-cloud set up that is supported by a strong governance to identify applications that benefit from going to cloud, right sizing exercises, and implementation of right cost controls while continuing to focus on security.

The Bank continues to re-invent and re-invest in technologies including mobility, cognitive intelligence, application programming interface (API) banking, Robotic Process Automation and Artificial Intelligence / Machine Learning to develop winning propositions for its customers. In order to drive seamless integration with partners, Bank's Open API platform has been further enhanced to onboard partners thereby generating more business and driving volumes. The Bank has scaled the adoption of robotics process automation and Artificial Intelligence/Machine Learning augmenting operational efficiency, higher accuracy and reduction in processing time while serving customers.

The Bank has also undertaken a transformation journey to make the IT team future-ready. The transformation program will build the foundation for becoming best-in-class across key areas. The transformation program focuses on achieving 4 key outcomes - a) deliver tech products faster b) enable critical capabilities c) improve resilience d) optimize expenditure across engineering excellence, channel architecture, integration, automation, infrastructure etc. The Bank has seen significant progress across the targeted outcomes as it continues to build on the initial success.

The Bank continues to pursue a holistic cyber security program with a comprehensive Cyber Security Policy and Standards based on industry best practices in compliance with regulatory guidelines. The Bank has deployed its cyber security structure and framework based on National Institute of Standards and Technology (NIST) Standard. The Bank's cyber security framework is built and operated around five fundamental areas including Identify, Protect, Detect, Respond and Recover. Bank is compliant to ISO27001 and PCIDSS standards. The Bank has a 24x7 Security Operations Centre and Cyber Security Operations System.

The Bank has deployed Cyber Security controls to protect its information assets from unauthorized access, hacking attempts, data loss and has implemented various detection and monitoring technologies, to proactively detect and respond to any cyber threats. Some of the controls are as follows:

a) Multifactor authentication has been enabled for users connecting through Remote access.

b) Secure and isolated environment for Remote access to critical systems were configured, to prevent sensitive data leak or unauthorized access.

c) Advanced End-Point controls and Data Leakage Prevention (DLP) control to detect and prevent endpoints being target of cyber-attacks.

d) Spam and Phishing emails protection have been enabled to protect against email-based cyber-attacks that were rampant during the pandemic.

e) 24x7 security monitoring along with usage of Cyber Security Threat Intelligence to detect malicious underground activities against the Bank.

f) In addition the above controls; Bank has also enabled Enhanced monitoring for Remote users to detect and prevent; any unauthorized and unusual remote access, User access to Bank systems from unusual geographies, Concurrent user access from difference locations, etc. and Data Leakage monitoring for Web channel, Email channel and End Points

Risk Management

The Bank continues to focus on strengthening the risk management capabilities, while leveraging on advanced analytics and frameworks, to drive risk management. Comprehensive Risk Management Framework is in place for integrated approach for managing various risks.

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 Bank's risk management function 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.

Risk Governance

The Board is the Apex Governance body on all matters of risk management. The Board of Directors exercises its oversight over risk management both directly and through its Committees, namely

- The Committees of the Board that pertain to Risk management i.e., The Risk Management Committee, the Audit Committee of the Board, the Special Committee on Large Value Frauds and the IT Strategy Committee.
- The Executive risk committees which are constituted look at specific areas of risk and are mandated by the Risk Management Committee of the Bank i.e. Credit Risk Management Committee (CRMC), Asset Liability Management Committee (ALCO), Operational Risk Management Committee (ORMC), Information Systems Security Committee (ISSC), Central Outsourcing Committee (COC), BCP & Crisis Management Committee (BCPMC), Apex Committee and Subsidiary Management Committee (SMC).

Risk Architecture

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 supplemented by periodic validations of the methods used and monitoring through the sub-committees of the Board.

Credit Risk

Credit risk is the risk of financial loss if a customer, borrower, 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, customer, 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. Credit models used for risk estimation are assessed for their discriminatory power, calibration accuracy and stability independently by a validation team.

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.

Risk department carried out a Stress testing exercise on the entire portfolio to assess incremental stress that was observed in the current scenario, using over 1,000 variables, internal as well as external data points, over 125 combinations. The scenarios were simulated on 1 in 7 years, 1 in 25 years and 1 in 60-year event with multiple variables. The three scenarios were based on likely peak of the pandemic, lockdown opening in a staggered manner, returned to civic life, revival of business and return to economic activity at various time periods for each of the scenarios. These scenarios were used to create three impact scenarios; base, moderate and severe stress scenarios.

The Bank's overall credit governance structure and processes have been strengthened during the year to ensure credit quality on an ongoing basis. Further during the last one year ,the Bank reviewed its credit portfolio and identified specific sectors where risk exists and reduction would be sought as also origination would not be encouraged except for high quality borrowers. These sectors were reviewed regularly as the policy responses were introduced by the Government for eg. restructuring, ECLGS etc.

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 covers 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 and in the Risk Appetite Statement. 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.

The Bank follows a historical simulation approach to calculate Value at Risk (VaR) with a 99% confidence level for a one-day holding period in a 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 ALM policy is supplemented by other liquidity policies relating to intraday liquidity, stress testing, contingency funding plan and liquidity policies for each of the overseas branches.

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. 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 its 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 LCR /NSFR in accordance with the RBI guidelines and the defined risk appetite of the Bank.

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 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 Information System 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 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.

Business Continuity Plan

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. With effective Business Continuity Plan in place, the Bank has effectively managed to run its operations by adapting to various continuity / mitigation plans.

Information and Cyber Security Risks

The Bank pursues a holistic Information and cyber security program with a comprehensive Information Security policy, Cyber Security policy and standards based on industry best practices with compliance to regulatory guidelines. These policies are aligned with the regulatory directives on Information and Cyber security and with global best practices like NIST, ISO27001:2013, PCI DSS etc.

The governance framework is in place at executive level with Information System Security Committee constituting key business functions meeting at least once in a quarter to assess the threat landscape and validate the controls enforced in the Bank commensurate with the cyber risks.

The Bank has invested in strong technical and administrative controls to proactively prevent, detect and contain and respond any suspicious activity. Bank is compliant to ISO27001 standard and PCI DSS standard. The Bank conducts various assessment to identify and remediate risks before any application and/or IT infrastructure component is deployed. These assessments include Application security, vulnerability assessment, penetration testing, security architecture review data security assessment etc. Bank also has adopted defense in depth methodology to protect its crown jewels from intrusion by malicious actors. The Bank has 24 x 7 Security Operation Center (SOC) to keep vigil on its digital assets and coordinates with RBI, CERT-IN, NCIIPC, NPCI etc. for implementation of their recommendation to strengthen its defense against cyber attacks.

Risk framework in managing COVID-19 pandemic

The fiscal year 2021 witnessed countries across the globe battling an unprecedented crisis in the form of COVID-19 pandemic, with the disruption in every sphere including financial sector. To handle the pandemic, the Bank geared up by strengthening the process, controls with continued focus on customer centricity.

The Bank set up a Centralised Emergency Response Framework, focusing across multiple facets – protecting life, ensuring business continuity, protecting operations, maintaining liquidity and protecting capital. The Centralised Emergency Response Team was empowered to make decisions, communicate responses and action plans across the Axis Group. This team continues to monitor health and continuity during the resurgent second wave. Further, the Bank embarked on a set of medium and near term projects to recalibrate the risk response - these include operational risk, cyber security stack, stress testing, credit risk model reviews, identifying sectors for de-risking, reviewing the unsecured lending portfolio etc.

Work from home was initiated by the Bank even prior to the lockdown. The Bank has issued regular health advisory during lockdown and post lockdown period, monitoring of staff health, maintaining social distancing, sanitisation and other safety measures were undertaken. In the context of the second wave, the Bank continues to respond using a flexible approach to staff working from the places of business, and is calibrating the staff attendance in its places of business keeping in mind evolving situation.

IT infrastructure was scaled up to support Continuity of Operations, ensured uptime in branches and ATM, phase wise reopening of large offices. Continuous monitoring of Business Continuity Plan during introducing learnings to enhance the plan is a going process of excellence.

The Bank introduced additional control measures to mitigate likely risks associated with market volatility during COVID-19 period through additional monitoring of portfolios/positions in relation to trigger limits. Enhanced controls were introduced to ensure treasury dealings in off-site mode in work-from-home scenario.

The Bank also introduced necessary process changes introduced without diluting controls for COVID-19 specific operations. Enhanced controls around dealer conduct and market volatility ensured seamless Treasury operations through the Pandemic period. Information security related controls were enhanced with respect to remote working to continue monitoring of the perimeter to prevent threats.

In terms of liquidity risk, the Bank has been monitoring the liquidity position and liability mix closely; and comfortable liquidity positions have been maintained. On the credit risk side, the Bank has put in place appropriate risk mitigation measures to ensure origination in a risk – sensitive manner backed by close monitoring and proactive collection. The Bank has also put in place policies to implement the various directives of the RBI with respect to policy response to COVID-19.

Subsidiary Governance

The oversight of Subsidiaries is an essential element for the implementation of well aligned corporate governance principles 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 Management 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, finance, information technology, cyber security, legal, corporate communication, marketing and secretarial practices to achieve group level synergy while optimally leveraging business opportunities. The framework is supplemented by a set of governance policies for operationalization and a monitoring mechanism under the Board approved framework.

Compliance

Compliance Risk is considered as one of the most significant concerns in the banking sector. The compliance starts from the top with the Board and Management playing an active role in driving a robust risk and compliance culture in the Bank. The Bank's Compliance department assists the Board and Management in managing the compliance risk. It also identifies, evaluates and addresses the legal and reputational risks in the Bank. The Bank's Compliance department ensures that overall business of the Bank is conducted in strict adherence to the guidelines issued by Reserve Bank of India and other regulators, various statutory provisions, standards and codes prescribed by BCSBI, FEDAI, FIMMDA, etc. by evaluating the products / processes, guiding business departments on the various regulatory guidelines with a special emphasis on better understanding of the perspective / spirit of the guidelines and regulations, regular assessment of overall compliance status in the Bank. It closely works with Operational Risk and Internal Audit functions and monitors various activities of the Bank with emphasis on active regulatory risk management. The non-compliances, if any are being appropriately remediated through root cause analysis. The Compliance department has an oversight over Bank's subsidiaries to ensure the adherence to applicable laws and regulations. The Bank has a robust Compliance Policy and Group Compliance Policy to manage the compliance risk in the Bank and its subsidiaries. The Bank also has a robust Anti Money Laundering (AML) policy / framework and tools to manage the AML risk.

Apart from being the focal point of contact with the regulators, the Compliance Department periodically apprises the Bank's management as well as the Board of Directors / Audit Committee of the Board on the changes in regulatory environment and status of compliance in the Bank. The Audit Committee of the Board monitors and assess the performance of the Compliance Department periodically. The Board and the Bank's Top Management aims to maintain the highest standard of compliance within the Bank and its group.

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 Risk Based Internal Audit has been designed after factoring regulatory guidelines and also international best practices. The policy has a well-defined architecture for conducting Risk Based Internal Audit 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 Risk Based Internal Audit (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, off-site audit and thematic audit reviews have been integrated into the internal audit process in order to make the function more robust. Keeping pace with digitalisation in the Bank, the Internal Audit function has also initiated technological initiatives for providing enhanced efficiency and effectiveness through system driven and analytics-based audits.

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

Corporate Social Responsibility (CSR) & Sustainability

CSR

The Bank has over the years played an active role in building a sustainable Indian economy and a resilient society. The Bank's CSR initiatives aim to bring about a meaningful socio-economic impact in the lives of the deprived and vulnerable communities, across the country. Guided by the CSR Committee of the Board and in line with its CSR Policy, the activities cover a gamut of themes such as poverty alleviation, sustainable livelihood generation, education, skill building and environmental sustainability.

The fiscal year 2021 was an extremely challenging one with the pandemic induced nation-wide lockdown and other restrictions bringing society to a grinding halt and throwing businesses out of gear. Further India's civil and healthcare infrastructure witnessed unprecedented burden of battling a pandemic whose complete cure is yet to be found. As an essential service provider, the Bank provided uninterrupted banking services to customers while ensuring a physically safe banking environment for both the customers and its employees. The Bank also responded immediately to reach out to the frontline workers such as police personnel, medical fraternity, municipal corporations, district authorities and other government entities and hospitals across the country to support their efforts in fighting the pandemic.

The Bank's CSR arm viz. Axis Bank Foundation (ABF) also worked closely with its implementation partners across rural India to support the most vulnerable and impacted sections of the community. For migrant workers who returned home, counselling and isolation facilities were provided while the larger community was supported to adhere to various government guidelines and be able to access healthcare facilities more easily.

ABF that was established in 2006 to give strategic direction to the CSR aspirations of the Bank, has over the years evolved its approach to meet the contemporary needs of society. Since 2012, the Foundation's activities are aligned to a thematic focus of Sustainable Livelihoods, delivered under the two pillars of Rural Livelihoods and Skill Development. After having successfully achieved its first mission of creating 1 million sustainable livelihoods in fiscal 2018, the Foundation is currently pursuing its ambitious 'Mission 2 Million' commitment of supporting 2 million households in India by March 2025 under Sustainable Livelihoods. Under this mission, ABF's initiatives impacted 0.92 million participants across 198 districts in 25 states and union territories as on 31 March, 2021.

The Bank has been running its financial literacy programme in over 20 states and Union Territories in India under 'Axis Sahyog', its microfinance vertical. The Programme has so far reached out to lakhs of women, primarily in rural India, introducing them to the concepts and importance of savings, insurance and personal finance. During the year, the programme introduced an additional module, 'Sachetana', aimed at imparting COVID-19 related precautions and guidance to over 0.99 million participants. Project Akshar, the Bank's interactive, online digital financial literacy initiative that was launched in 2017, continued to expand during the year, helping lakhs of participants improve their financial and credit awareness.

During the year, the Bank launched a scholarship programme for women from economically weaker backgrounds to pursue an undergraduate degree in STEM (Science, Technology, Engineering, Maths) disciplines at Ashoka University, Haryana.

Additional details on the Bank's CSR governance, interventions and impact for the reporting year have been provided in the Annual Report on CSR Activities as a part of this Annual Report. Additional information is also available on the Bank's corporate website at https://www.axisbank.com/csr and on the Foundation's website at http://www.axisbankfoundation.org/.

Sustainability

The Bank remains cognizant of the criticality of adopting the principles of ESG (Environmental, Social and Governance) into its business strategy and conduct; and is working towards strengthening the pillars to build a future-proof and high-impact ESG strategy.

During the year, the Bank formed an ESG Steering Committee chaired by its Executive Director (Corporate Centre) and comprising of senior officials, with the mandate to guide and support the Board and business divisions of the Bank, in matters of sustainability. The Charter of the CSR Committee has been amended to facilitate review of the initiatives taken by the Bank from a sustainability perspective.

During the year, the Bank actively participated in a number of global ESG assessment platforms and was also independently assessed on its ESG performance. Notably, the Bank continues to be on the prestigious FTSE4Good Index for the fourth consecutive year. The Bank improved its performance at the Dow Jones Sustainability Indices, moving to the 70th percentile globally and improved its ratings on the CDP, a leading global climate performance assessment platform from 'C' to 'B'. In addition, the Bank's ESG rating by MSCI ESG Research was upgraded from 'BBB' to 'A'. During the year, the Bank released its sixth sustainability report, 'Axis of Trust', an externally assured report conforming to the GRI Standards and Integrated Reporting frameworks. During the year, the Bank also made efforts to contribute to the national conversation on ESG-related themes as part of various industry groups/ forums.

The Bank remains aligned to the global sustainable development agenda and continues to work towards aligning its strategies to the Sustainable Development Goals and the Paris Agreement on Climate Change. The Bank has a robust lending portfolio aligned to low carbon sectors such as renewable energy generation, mass rapid transportation and low carbon infrastructure. The Bank has in place the Sustainable Lending Policy and Procedures (SLPP) that integrates environmental and social risk assessment into its lending decisions. The Bank has also committed to scaling up its climate risk management-related policies and processes and has initiated substantive steps in this direction.

The Bank continues to make efforts towards improving resource consumption efficiency and overall ecological footprint of its business operations. The Bank has ongoing initiatives focusing on scaling renewable energy consumption, driving energy efficiency and improving resource and waste management. As on March 31, 2021, the Bank had 7.05 MW in cumulative captive solar installations. Under its partnership with EESL, the Bank has undertaken replacement of CFL lighting to LED lighting at branches, covering approximately 1,100 branches as on 31 March, 2021, with close to 55,000 fittings. Centralized Energy Management System (CEMS), the Bank's cloud-based energy management program covered 1,493 branches as 31 March, 2021. The Bank has committed to adopting green principles for its upcoming branches in Metro and Urban locations and is actively pursuing green certifications for select offices and branches. The Bank's various Digital banking initiatives have also helped the Bank lower its natural resource requirements while delivering improved operational efficiencies for the Bank and better experience for its customers.

Human Resources

Employees remain the most critical drivers for the Bank's growth and success. The Bank continues to focus on attracting and managing best in class talent to deliver on its goals of Growth, Profitability and Sustainability.

During the year, the Bank's people strategy continued to emphasize on building capabilities and capacity, enhancing the employee skills, promoting diversity and inclusion while ensuring safety and health of its employees.

Health, Safety and Well being

During the year, the Bank proved its resilience with its over 78,300 employees coming together as One Axis to serve the customers 'Dil Se' in the face of COVID-19 crisis. The Bank proactively implemented business continuity measures and initiated 'work from home' mandate for its employees well before the lockdown was announced. The Bank took conscious and sustained efforts to reach out to all its employees towards maintaining organizational health and employee confidence during the tough times. Health benefits and assistance was extended to affected employees.

During the tough times, the Bank was among the few in the industry that completed its annual appraisal process on time in April. The variable pay was rolled out to all the employees in roles upto mid-management during the regular cycle in April. The variable pay for senior leaders was extended in October 2020 along with annual increments across the Bank.

Building Capabilities and Capacity

The Bank's key talent acquisition processes remained on track during the lockdown. All offers made were honoured and on-boarded virtually. The Bank further increased its hiring activity in second half of the year to support its business growth. During the year, there was greater focus on hiring for specialized skills – IT, Digital Banking, and Customer Experience roles. The Bank maintained a continued focus on hiring from multiple diverse sources – to ensure prudent mix of fresh and experienced candidates. The Bank's internal job platform – Catalyst also provides mobility for employees seeking different and more challenging roles internally.

The Bank continues to engage in hiring and nurturing the young talent from select premier institutes in the country, in the fields of Management, Chartered Accountancy, Engineering and Design. Campus programs like Axis Bank Young Bankers (ABYB) Program, Axis Ahead, ABLe play key role in creating a healthy pipeline of functional experts and future leaders for the Axis Group by equipping graduates with necessary banking knowledge and skills. The Bank also has specialized programs to acquire engineering talent to drive Bank's various technology & analytics initiatives. The Bank recruits Chartered Accountants for specialist roles in departments like Risk, Internal Audit, Finance & Accounts and Commercial Banking.

The Bank also continued investing in academic partnerships to proactively create a sustainable pool of professionals trained for Bank's requirements. During the year, the Bank launched 'School of Fintech' – the first ever job assured online program in Fintech space in India, where in the candidates will be trained in niche skills and will be placed in Bank's IT department post training. A Priority Banking Relationship Manager program was launched in November 2020 – with the aim to provide customized trainings based on Bank's products and services.

Values Realization as the Cultural Bedrock

The Bank continued to build on extensive work done across the organization to define and create common understanding of the Bank's core values namely Customer Centricity, Ethics, Transparency, Team Work and Ownership through the Axis Values Realization initiative. During the year, the Bank designed 'Values scorecard' for measurement and monitoring the adoption of values across the organization. The annual employee survey was aligned to values and responses assimilated into the aforementioned scorecard. The survey results along with key findings were cascaded to all employees through Axis Values Realizer network of 1000+ employees who conducted storytelling sessions and conversations around values. The Bank's annual recognition program also celebrates those who have exemplified the Bank's core values and made an impact noteworthy of recognition.

Learning as a performance differentiator and career builder

The Bank has moved from episodic learning interventions to integrated journeys with certification milestones. This is aimed at delivering distinctive customer experience through differentiated employee capability. As part of the journeys, a total of over 74,000+ employees were covered clocking 2.1 million hours of training through virtual classroom sessions. This included multiple programs such as – 'Go Beyond' a training program focused on both behavioral aspects and domain expertise; and 'Redefine' a first of its kind tie-up with Coursera which ensures that Bank provides its top talent access to world class faculty and best in class content from the top universities in the world. The Bank's 'Axis Academies' program provides an opportunity for all staff members to familiarize themselves with the basics of credit, risk, trade & forex and business analytics, as well as enabling staff currently in these roles to gain in-depth domain knowledge, thus democratizing the learning process. The employees were also made to undertake the annual online assessment through 'Axis Competency Profiler (ACP'), an assessment engine focused on building functional competencies specific to every role. The assessment is directly linked with promotions and role transitions.

Promoting Diversity, Equity & Inclusion

The Bank encourages a culture of diversity, equity and inclusion promoting gender balance and respecting the contribution of all employees across gender, age, race, differential ability and sexual orientation. As on March 31, 2021, 23% of the workforce were women employees. Women employees are spread across all levels of hierarchy, as well as geography. The overall diversity in frontline roles has also increased from 12% in fiscal 2020 to 14% in fiscal 2021.

'We Lead' is Axis Bank's flagship leadership program for hiring women from the country's top ranked business schools like IIM Ahmedabad, IIM Bangalore, IIM Lucknow, ISB and XLRI. With an objective of increasing diversity at the mid-senior level, the Bank recruited 23 women for the 'We Lead' program in fiscal 2021.

Reshaping Operating Models -Future of Work

The Bank has launched a strategic project on the 'Future of Work' towards transforming the Bank's operating model and gaining the ability to attract and retain best in class talent. During the year, the Bank launched 'GIG-A-Opportunities' project in August 2020 to recruit specialists on short term contracts and candidates outside of the firm's base corporate location in full time virtual positions. The pilot received overwhelming response with over 60,000 applications received for the 50 pilot roles that prompted the Bank to expand the project with 83 positions filled during the year. Under the theme of reshaped work and the workplace, the Bank launched and successfully implemented a hybrid work model in large offices with select team members in senior and middle management attending offices two days in a week while working remotely for the rest of the week. A program has also been launched for existing employees to work from anywhere. Under this program, a risk and productivity linked framework has been used to identify roles that can be permanently virtual. In the next 12-18 months the Bank envisions that 30% of non-customer facing roles will be in alternate formats including hybrid work, work from anywhere and skilled contractor models.

Subsidiary Performance

The Bank's subsidiaries remain central to the principle of "One Axis' and have an important role to play in the Bank's strategy formulated around the three vectors - Growth, Profitability and Sustainability. In a short span of time, the Bank has established subsidiaries covering a significant gamut of the financial services space, with some of them being leaders in their segments. Axis Capital remains in leadership position in the ECM segment. Axis Mutual Fund maintained its position as the fastest growing AMC amongst the Top 10 players and is now the seventh largest player with over 6.1% share in the industry AUM, Axis Finance has grown its AUM at a 27% CAGR in last 5 years while delivering healthy returns.

The Bank continues to focus on further scaling up the subsidiaries so that they attain meaningful size and market share in their respective businesses. During fiscal 2021, the Bank's subsidiaries delivered strong performance with reported total income of ₹2,720 crores and earnings of ₹694 crores up 70% year on year.

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 (60 transactions across IPO, QIP, Rights, OFS and buybacks). Axis Capital's earning increased by 66% and contributed 24% 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, that had 8 million client folios as at end of 31 March, 2021 reported strong growth in net profits by 100%. The company manages 50 mutual fund schemes with a closing AUM of ₹1,90,841 crores as compared to closing AUM of ₹1,15,936 crores as on 31 March, 2020. The company improved its market share to 6.1% as on 31 March, 2021 and was ranked 7th amongst the mutual fund Industry in India. Axis AMC's earnings grew by 100% to ₹242 crores and contributed 35% to the total earnings of the subsidiaries.

Axis Securities, a brokerage arm of group, acquired trading accounts of Karvy Stock Broking during the year to become the third largest player based on customer base. The retail brokerage firm reported 60% growth in cumulative client base to 3.63 million. Axis Securities' earnings grew 10 times as compared to previous period, and contributed 24% to total subsidiaries' earnings. The subsidiary achieved a trading volume of ₹36,16,770 crores thereby registering a growth of 14% in fiscal 2021.

Axis Finance Limited, the Bank's NBFC has been diversifying its loan book mix and has made significant investments to grow its retail team with the objective of becoming a consumer focused lending company. Axis Finance's earning increased by 9% YoY and contributed 30% to total subsidiaries' earnings. Axis Finance remains well capitalized with Capital Adequacy Ratio of 20.4%. Its asset quality metrics remain stable with net NPA at 2% as of 31 March, 2021.

Freecharge, one of the India's leading digital payment companies has a current user base of 84.7 million, GMV of ₹3,106 crores and 70.4 million transactions. It continued to make progress in its payments led financials services journey during the year. The Bank leveraged the platform to introduce financial services products including digital SA, digital CA, digital fixed deposits, MFs, credit cards and two wheeler loans focused towards millennials and small and medium businesses.

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 became the 1st TReDS platform to reach ₹10,000 crore worth of MSME Invoice discounting and has market share of over 36% among all TReDS platforms. It currently has over 9,200 participants on the platform has clocked ₹12,465 crores in financed throughput by e-discounting nearly 6.6 lakh invoices since start of its operation from July 2017.

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.