

# Management's Discussion and Analysis

### Macro-economic Environment

Early optimism around fiscal 2022 was short lived, as the resurgent second wave of COVID-19 spread across India, that disrupted the economic recovery even though the impact was more severe on health unlike the first wave. At the same time, the global economies were also grappling with their own COVID waves, that led the respective countries to continue with fiscal and monetary support while the inflation notably was still seen as transitory. In India's case, these developments pushed the recovery back around two quarters, with a notable uptick in activity conditions beginning to get visible around the festive season of October. Though partly offset by the third wave led by Omicron infections in January, economic activity, strengthened further in the second half of fiscal with a number of high frequency indicators showing improvement including those in contact-intensive services.

At the same time, the second half of the fiscal also brought on increasing realisation amid global central banks of the more entrenched nature of inflation, with comments by major central banks beginning to indicate fairly rapid normalisation of monetary policy. Conditions were exacerbated towards the end of the fiscal by the war in Europe and tight containment measures in China given rapid spread of COVID-19: these counteracted the improved mobility conditions and better supply chain conditions, once again constricting availability of inputs. This drove prices for a number of inputs higher, with increasing anecdotes of transmission of these prices to consumers domestically. The higher inflation was also accompanied by major global rating agencies trimming growth assumptions for India with increasing likelihood that a large chunk of real output lost during the COVID years will be permanent.

### Prospects for fiscal 2023

The year ahead is likely to see continued deterioration of growth impulses globally - already seen in some high frequency indicators - given contraction in real earnings, more limited availability of inputs, tighter monetary and fiscal conditions, as well as geopolitical uncertainty brought on by the Ukraine war. At the same time, significant policy uncertainty exists given the path of inflation, as well as around global political events in the year ahead including the US mid-term election. Policy developments out of China will need to tackle concerns around growth, COVID lockdowns and upcoming political events, with the currency also back in focus as a macro policy tool taking the place of interest rates.

The mix of above factors is likely to keep uncertainty heightened in the domestic context, impacting the good growth witnessed towards the second half of fiscal 2022. To an extent, a good monsoon and high agricultural prices will likely support rural demand, while recovery in contact intensive services will continue to support urban demand. In focus, however, is the path of interest rates, following the RBI Monetary Policy Committee's off cycle tightening announced in March. Indications are that more moves are to follow, with a reversal of COVID-era ultra-accommodation as the first step. This is true for both rates and liquidity and will likely lead to upward pressure on both deposit and lending rates of banks. Notwithstanding this, credit growth at banks is likely to be supported, with high inflation driving demand for working capital, and also driving good nominal earnings growth.

Bank credit growth is likely to be around 10.7% in the year ahead, though the high base of deposit growth in the past as well as tightening steps to be taken indicate more muted growth in deposits.

## OVERVIEW OF FINANCIAL PERFORMANCE

### Changes in presentation in financial statements

Effective 1 April, 2021, the Bank has carried out the following changes in presentation of certain items in the financial statements:

- o **Provision for depreciation on investments**

Based on RBI Master Direction on Financial Statements – Presentation and Disclosures issued on 30 August, 2021, provision for depreciation on investments hitherto classified as part of provisions and contingencies has been reclassified as part of other income.

- o **Recoveries from written off accounts**

Recoveries from written off accounts hitherto included as part of other income have been adjusted as a credit to provisions and contingencies.

### o Presentation of structured collateralised foreign currency loans and deposits

The Bank was reporting structured collateralised foreign currency loans extended to customers and deposits received from the same customer on a gross basis as advances and deposits respectively. The Bank has changed the aforementioned practice to report such structured collateralised foreign loans and deposits on a net basis for better presentation.

For all the aforesaid changes, previous year figures have been regrouped and reclassified to conform to current classification. There is no impact of this change on the net profit/loss of the current or earlier periods and consequently ratios for prior year are not restated.

### Operating performance

(₹ in crores)			
Particulars	2021-22	2020-21	% change
Net interest income	33,132	29,239	13%
Non-interest income	15,221	12,264	24%
<b>Operative revenue</b>	<b>48,353</b>	<b>41,503</b>	<b>17%</b>
Operating expenses	23,611	18,375	28%
<b>Operating profit</b>	<b>24,742</b>	<b>23,128</b>	<b>7%</b>
Provisions and contingencies	7,360	14,322	(49%)
<b>Profit before tax</b>	<b>17,382</b>	<b>8,806</b>	<b>97%</b>
Provision for tax	4,357	2,217	96%
<b>Net profit</b>	<b>13,025</b>	<b>6,589</b>	<b>98%</b>

Operating revenue increased by 17% Y-o-Y (year-on-year) from ₹41,503 crores in fiscal 2021 to ₹48,353 crores in fiscal 2022. Net interest income (NII) rose 13% from ₹29,239 crores in fiscal 2021 to ₹33,132 crores in fiscal 2022. Non-interest income consisting of fee, trading and other income increased by 24% from ₹12,264 crores in fiscal 2021 to ₹15,221 crores in fiscal 2022.

Operating expenses rose 28% from ₹18,375 crores in fiscal 2021 to ₹23,611 crores in fiscal 2022. The increase is primarily due to higher business volumes, investments in technology to support future business growth, higher collection expenses and statutory costs. Healthy growth in operating revenue offset by a higher growth in operating expenses in fiscal 2022 compared to previous year led to a growth in the Bank's operating profit by 7% to ₹24,742 crores from ₹23,128 crores reported last year. Provisions and contingencies decreased by 49% from ₹14,322 crores in fiscal 2021 to ₹7,360 crores in fiscal 2022.

Net profit for the year ended 31 March, 2022 increased 98% and stood at ₹13,025 crores, as compared to the net profit of ₹6,589 crores last year.

### Net interest income

(₹ in crores)			
Particulars	2021-22	2020-21	% change
Interest on loans	49,617	47,620	4%
Interest on investments	14,619	12,558	16%
Other interest income	3,141	3,168	(1%)
<b>Interest income</b>	<b>67,377</b>	<b>63,346</b>	<b>6%</b>
Interest on deposits	26,684	26,544	1%
Other interest expense	7,561	7,563	-
<b>Interest expense</b>	<b>34,245</b>	<b>34,107</b>	<b>0.4%</b>
<b>Net interest income</b>	<b>33,132</b>	<b>29,239</b>	<b>13%</b>
Average interest earning assets <sup>1</sup>	954,896	816,183	17%
Average Current Account and Savings Account (CASA) <sup>1</sup>	311,178	257,082	21%
Net interest margin	3.47%	3.53%	
Yield on assets	7.06%	7.69%	
Yield on advances	8.03%	8.62%	
Yield on investments	6.00%	6.51%	
Cost of funds	3.86%	4.48%	
Cost of deposits	3.68%	4.27%	

<sup>1</sup> computed on daily average basis

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NII constituted 69% of the operating revenue and increased by 13% from ₹29,239 crores in fiscal 2021 to ₹33,132 crores in fiscal 2022. The increase was primarily due to an increase in average interest earning assets on a daily average basis by 17%.

During this period, the yield on interest earning assets decreased from 7.69% in fiscal 2021 to 7.06% in fiscal 2022. The yield on advances decreased by 59 bps from 8.62% in fiscal 2021 to 8.03% in fiscal 2022. The yield on investments also decreased by 51 bps during fiscal 2022.

Cost of funds decreased by 62 bps from 4.48% in fiscal 2021 to 3.86% in fiscal 2022. 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 3.68% from 4.27% last year. CASA and RTD deposits together, on a daily average basis, reported a healthy increase of 16% to ₹597,832 crores from ₹517,563 crores last year.

### Non-interest income

Particulars	₹ in crores		
	2021-22	2020-21	% change
Fee income	13,001	10,686	22%
Trading profit	1,627	1,218	34%
---of which			
Provision for depreciation on investments	264	(1,329)	-
Miscellaneous income	593	360	65%
<b>Non-interest income</b>	<b>15,221</b>	<b>12,264</b>	<b>24%</b>

Non-interest income comprising fees, trading profit and miscellaneous income increased by 24% to ₹15,221 crores in fiscal 2022 from ₹12,264, crores last year and constituted 31% of the operating revenue of the Bank.

Total fee income from the Bank's retail operations accounted for 17% of total operating revenue of the Bank for fiscal 2022 as compared to 16% in fiscal 2021, and 64% and 62% of the Bank's total fee income for fiscals 2022 and 2021 respectively. The Bank's granular fee across third party distribution, grew 29% on a Y-o-Y basis. Retail card fees and Retail non-card fees and constituted 22% and 42%, respectively of the total fee income in fiscal 2022.

Fee income derived from the Wholesale banking group accounted for 10% of total operating revenue of the Bank for fiscal 2022 and fiscal 2021 and 36% of the Bank's total fee income for fiscal 2022 and 38% in fiscal 2021. Within Wholesale Banking fees, fees from Transaction Banking grew 25% Y-o-Y in fiscal 2022 and contributed 3% to operating revenue.

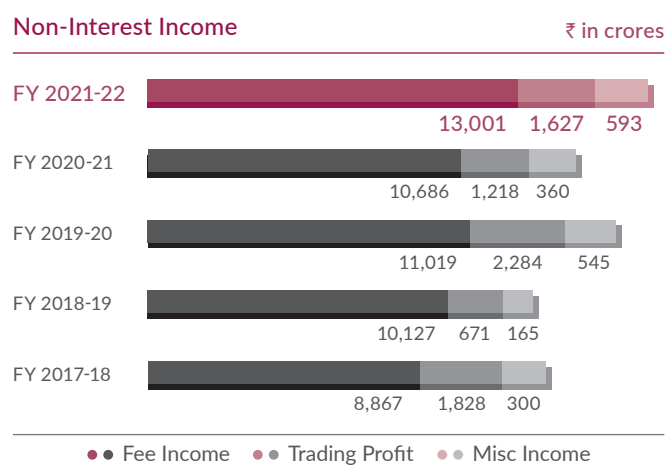
Growth in reported fee income was mainly on account increase in business volume in fiscal 2022 across segments. Fee income increased by 22% to ₹13,001 crores from ₹10,686 crores last year and continued to remain a significant part of the Bank's non-interest income. It constituted 85% of non-interest income and contributed 27% to the operating revenue.

During the year, proprietary trading profits without considering impact of provision for depreciation decreased by 47% to ₹1,362 crores from ₹2,547 crores last year mainly on account of lower profits on the SLR portfolio in fiscal 2022 in comparison with fiscal 2021. Profits on the SLR portfolio in fiscal 2022 amounted to ₹712 crores as compared to ₹1,577 crores in fiscal 2021.

The Bank's miscellaneous income in fiscal 2022 stood at ₹593 crores compared to ₹360 crores in fiscal 2021, comprising mainly of income from sale of Priority Sector Lending Certificates (PSLC) amounting to ₹350 crores in fiscal 2022 (₹218 crores in fiscal 2021). The Bank also booked dividend from subsidiaries amounting to ₹89 crores under miscellaneous income as compared to ₹58 crores in fiscal 2021.

### Operating revenue

The operating revenue of the Bank increased by 17% to ₹48,353 crores from ₹41,503 crores last year. The core income streams (NII and fees) constituted 95% of the operating revenue, reflecting the stability of the Bank's earnings.



## Operating expenses

Particulars	(₹ in crores)		
	2021-22	2020-21	% change
Staff cost	7,613	6,164	24%
Depreciation	1,008	948	6%
Other operating expenses	14,990	11,263	33%
<b>Operating expenses</b>	<b>23,611</b>	<b>18,375</b>	<b>28%</b>
<b>Cost : Income Ratio</b>	<b>48.83%</b>	<b>41.69%</b>	
<b>Cost : Asset Ratio</b>	<b>2.17%</b>	<b>1.96%</b>	

The operating expenses of the Bank increased during the year by 28% Y-o-Y from ₹18,375 crores in fiscal 2021 to ₹23,611 crores in fiscal 2022 as the Bank continued to invest in technology and human capital for supporting the existing and new businesses. The Operating Expenses to Assets ratio increased to 2.17% compared to 1.96% last year.

Staff cost increased by 24% from ₹6,164 crores in fiscal 2021 to ₹7,613 crores in fiscal 2022, primarily on account of annualization of fiscal 2021 hiring and 10% increase in employee strength from 78,307 as at end of fiscal 2021 to 85,815 as at the end of fiscal 2022.

In line with RBI's August 2021 clarification on Guidelines around Compensation of Whole Time Directors/Chief Executive Officers/Material Risk Takers and Control Function Staff advising banks that the share-linked instruments are required to be fair valued, the Bank changed its accounting policy from the intrinsic value method to the fair value method for all share-linked instruments granted after 31 March, 2021 and recognised the fair value of options as a compensation expense over the vesting period. As a result, staff cost for the fiscal 2022 is higher by ₹130 crores with a consequent reduction in the profit before tax by the same amount. Without considering the impact of such change, the increase in staff cost would have been 21%.

Other operating expenses (excluding depreciation) increased by 33% from ₹11,263 crores in fiscal 2021 to ₹14,990 crores in fiscal 2022. The increase is primarily due to higher business volumes, investments in technology to support future business growth, higher collection expenses and statutory costs.

36% of total cost increase was on account of investments in technology and future growth, 22% of the total cost increase was volume linked, 15% was collection linked and statutory expenses and balance 27% was business as usual expenses. The Bank added 164 branches and extension counters during fiscal 2022. The statutory cost increased by ₹425 crores majorly attributable to meet PSLC obligations and higher DICGC premium payment.

## Operating profit

During the year, the operating profit of the Bank increased by 7% to ₹24,742 crores from ₹23,128 crores last year on account of healthy growth in operating revenues partially offset by an increase in operating expenses.

## Provisions and contingencies

Particulars	(₹ in crores)		
	2021-22	2020-21	% change
Provision for non-performing assets	7,549	12,205	(38%)
Recoveries from written off accounts	(2,367)	(1,246)	90%
Provision for restructured assets/SDR/S4A	1	(14)	-
Provision for country risk	19	(12)	-
Provision for standard assets including unhedged foreign currency exposure	126	2,674	(95%)
---of which			
Provision for loans under moratorium	-	2,012	-
Provision for other contingencies	2,032	715	184%
---of which			
Additional Provision for delay in implementation of resolution plan	410	-	-
Provision for COVID-19 and MSME Restructuring	912	499	83%
<b>Total Provision and contingencies</b>	<b>7,360</b>	<b>14,322</b>	<b>(49%)</b>

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During fiscal 2022, the Bank created provisions (other than provisions for tax) of ₹7,360 crores compared to ₹14,322 crores last year net of recoveries from written off accounts. The Bank's recoveries from written off accounts in fiscal 2022 stood at ₹2,367 crores compared to ₹1,246 crores in fiscal 2021, Key items of the same are explained below -

## Provisions for NPAs:

The Bank provided ₹7,549 crores towards non-performing assets compared to ₹12,205 crores last year. The decrease in provision for non-performing assets is primarily on account of lower net slippages at ₹5,760 crores in fiscal 2022 as compared to net slippages of ₹8,987 crores in fiscal 2021.

## Provisions for standard assets:

The Bank provided ₹126 crores for standard assets including unhedged foreign currency exposure compared to ₹2,674 crores last year. Provision for standard assets for fiscal 2021 was higher since it included provision of ₹2,012 crores towards the 10% provision on loans under moratorium as per RBI guidelines on COVID-19 regulatory package. The Bank has not utilised any provision made on loans under moratorium towards slippages that have happened during fiscal 2022.

## Provision for other contingencies:

Provisions for other contingencies for fiscal 2022 amounted to ₹2,032 crores as compared to ₹715 crores in fiscal 2021. This increase is mainly on account of following -

- During the year, the Bank made a provision of ₹912 crores for COVID and MSME Restructuring as against a provision of ₹499 crores made in fiscal 2021. The increase in provision is mainly towards accounts restructured in fiscal 2022 under RBI guidelines on Resolution Framework 2.0 for COVID-19 related stress.
- Further, during the year the Bank has made additional provision for delay in implementation of resolution plan of ₹410 crores including provision on non-funded outstanding as well on such accounts.
- The balance provision in fiscal 2022 comprises of provision on probable legal cases amounting to ₹215 crores as compared to ₹13 crores in fiscal 2021.

The Bank continues to hold provisions of ₹5,012 crores as at 31 March, 2022 against the potential impact of COVID-19.

As at the end of fiscal 2022, the cumulative non NPA provisions amounted to ₹12,428 crores as compared to ₹12,010 crores at the end of fiscal 2021. The standard assets coverage ratio (all non NPA provisions / standard assets) stands at 1.77%.

## Provision for tax

Provision for tax for fiscal 2022 stood at ₹4,357 crores as compared to ₹2,217 crores for last year. Profit before tax for the fiscal 2022 stood at ₹17,382 crores as compared to ₹8,806 crores in fiscal 2021 which led to the increase in provision for tax for the fiscal 2022. The effective rate of tax during fiscal 2022 was 25.07%.

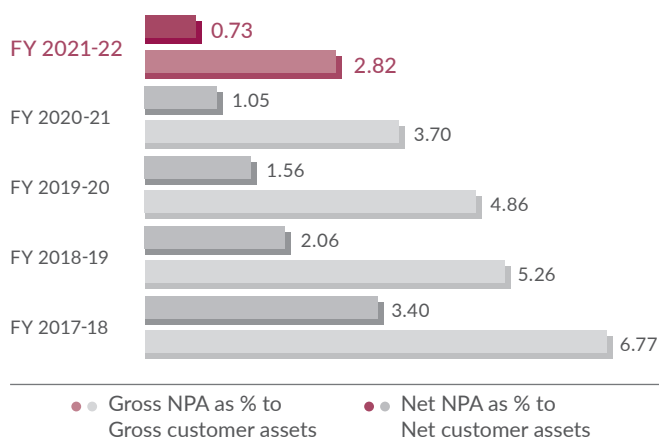
## Net profit

Net profit for the year ended 31 March, 2022 increased and stood at ₹13,025 crores, as compared to the net profit of ₹6,589 crores last year, primarily on account of increase in operating profit by 7% Y-o-Y and 49% decline in provisions and contingencies.

## Asset Quality Parameters

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

### Gross and Net NPA %



During the fiscal, the quantum of low rated pool of BB and below accounts (excluding investments and non-fund based exposure) decreased and stood at ₹5,778 crores as compared to ₹7,443 crores at the end of fiscal 2021. The aggregate outstanding in low rated pool of BB and below investments and non-fund based accounts was ₹826 crores and ₹2,780 crores respectively as at the end of March 2022.

The Bank added ₹20,110 crores to Gross NPAs during the year. The Bank's ratio of Gross NPAs to gross customer assets decreased to 2.82%, at the end of March 2022 from 3.70% as at end of March 2021.

The Bank added ₹5,760 crores to Net NPAs after adjusting for recoveries and upgradations of ₹3,360 crores and ₹10,990 crores respectively and the Bank's Net NPA ratio (Net NPAs as percentage of net customer assets) decreased to 0.73% from 1.05%.

The Bank's provision coverage increased during the fiscal and stood at 75% excluding prudential write-offs. The Bank's accumulated prudential write off pool stood at ₹36,256 crores as at end of fiscal 2022.

The fund based outstanding of standard loans under COVID -19 resolution scheme at 31 March, 2022 stood at ₹4,029 crores or ~ 0.52% of gross customer assets. The linked non fund based outstanding for which there has been no change in original terms stood at ₹982 crores. Outstanding restructured loans under the MSME scheme stood at ₹807 crores. The Bank holds a provision of ₹1,411 crores on these restructured assets. In addition, the Bank also holds a provision of ₹77 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, 2022 to ₹1,488 crores.

### Key ratios

Particulars	(₹ in crores)	
	2021-22	2020-21
Basic earnings per share (₹)	42.48	22.15
Diluted earnings per share (₹)	42.35	22.09
Book value per share (₹)	374.71	331.63
Return on equity (%)	12.91%	7.55%
Return on assets (%)	1.21%	0.70%
Net interest margin (%)	3.47%	3.53%
Profit per employee (₹ lakh)	15.54	8.66
Loan to Deposit ratio (Domestic)	79.66%	82.06%
Loan to Deposit ratio (Global)	86.12%	88.18%

Basic Earnings Per Share (EPS) was ₹42.48 compared to ₹22.15 last year, while the Diluted Earnings Per Share was ₹42.35 compared to ₹22.09 last year. Return on Equity (RoE) and Return on Assets (RoA) improved during the year and stood to 12.91% and 1.21% respectively. Book Value per Share increased by 13% to ₹374.71 from ₹331.63 last year. Profit per Employee stood at ₹15.54 lakh as compared to ₹8.66 lakh last year.

Loan to Deposit ratio of the Bank as on 31 March, 2022 was at 86.12% with a domestic loan to deposit ratio of 79.66%.

### Balance Sheet parameters

#### Assets

Particulars	(₹ in crores)		
	2021-22	2020-21	% change
<b>Cash and bank balances</b>	<b>110,987</b>	<b>61,730</b>	<b>80%</b>
Government securities	224,763	184,190	22%
Other securities	50,834	41,930	21%
<b>Total investments</b>	<b>275,597</b>	<b>226,120</b>	<b>22%</b>
Retail advances	399,891	331,304	21%
Corporate advances	230,738	222,164	4%
CBG advances	77,067	60,932	26%
<b>Total advances</b>	<b>707,696</b>	<b>614,399</b>	<b>15%</b>
<b>Fixed assets</b>	<b>4,572</b>	<b>4,245</b>	<b>8%</b>
<b>Other assets<sup>1</sup></b>	<b>76,326</b>	<b>80,304</b>	<b>(5%)</b>
<b>Total assets</b>	<b>1,175,178</b>	<b>986,798</b>	<b>19%</b>

<sup>1</sup> includes Priority Sector Lending deposits of ₹41,654 crores (previous year ₹46,886 crores)

Total assets increased by 19% to ₹1,175,178 crores as on 31 March, 2022 from ₹986,798 crores on 31 March, 2021, driven by 15% and 22% growth in advances and investments respectively.

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## Advances

Total advances of the Bank as on 31 March, 2022 increased by 15% Y-o-Y to ₹707,696 crores from ₹614,399 crores as on 31 March 2021, largely driven by healthy growth in the retail segment. Retail advances comprised 57% of total advances and grew by 21% to ₹399,891 crores, corporate advances comprised 32% of total advances and grew by 4% to ₹230,738 crores and CBG advances constituted 11% of total advances and grew by 26% to ₹77,067 crores.

The retail lending growth was led by Small Banking Business (SBB), Mortgage Loans, Cards and Rural Lending. Home loans remain the largest retail segment and accounted for 36% of retail loans, rural lending 14%, loans against property (LAP) 11%, personal loans (PL) and credit cards(CC) were 15%, auto loans 11% and Small Banking Business (SBB) were 7%, while non-schematic loans comprising loan against deposits and other loans accounted for 6%.

## Investments

The investment portfolio of the Bank grew by 22% Y-o-Y to ₹275,597 crores. Investments in Government and approved securities, increased by 22% to ₹224,763 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 21% to ₹50,834 crores, which include outstanding TLTRO investments of ₹18,043 crores as on 31 March, 2022. 77% of the government securities have been classified in the HTM category, while 57% of the bonds and debentures portfolio has been classified in the AFS category.

## Other Assets

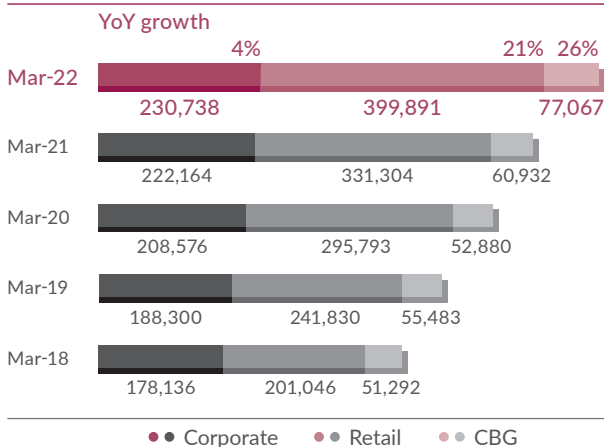
Other assets of the Bank as on 31 March, 2022 decreased to ₹76,326 crores from ₹80,304 crores as on 31 March 2021, primarily on account of decrease in Priority Sector Lending deposits to ₹41,654 crores as on 31 March, 2022 from ₹46,886 crores on 31 March 2021.

## Liabilities and shareholder's funds

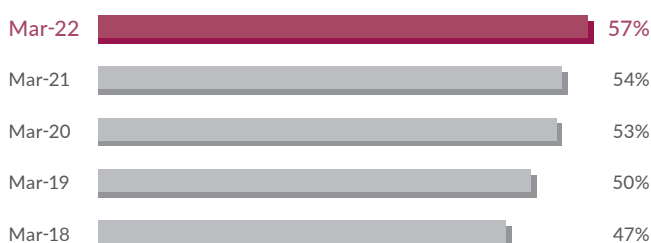
Particulars	2021-22	2020-21	% change
Capital	614	613	-
Reserves and Surplus	114,411	100,990	13%
<b>Total shareholder's funds</b>	<b>115,025</b>	<b>101,603</b>	<b>13%</b>
Employee stock option outstanding (net)	149	-	-
<b>Deposits</b>	<b>821,721</b>	<b>697,986</b>	<b>18%</b>
- Current account deposits	127,306	113,276	12%
- Savings bank deposits	242,449	204,473	19%
- <b>CASA</b>	<b>369,755</b>	<b>317,749</b>	<b>16%</b>
- Retail term deposits	286,612	275,607	4%
- Non-retail term deposits	165,354	104,630	58%
- <b>Total term deposits</b>	<b>451,966</b>	<b>380,237</b>	<b>19%</b>
<b>Borrowings</b>	<b>185,134</b>	<b>142,873</b>	<b>30%</b>
- In India	130,747	102,865	27%
- Infra bonds	23,480	20,880	12%
- Outside India	54,387	40,008	36%
<b>Other liabilities and provisions</b>	<b>53,149</b>	<b>44,336</b>	<b>20%</b>
<b>Total liabilities and shareholder's funds</b>	<b>1,175,178</b>	<b>986,798</b>	<b>19%</b>

## Advances

₹ in crores



## Retail Advances as % to Total Advances



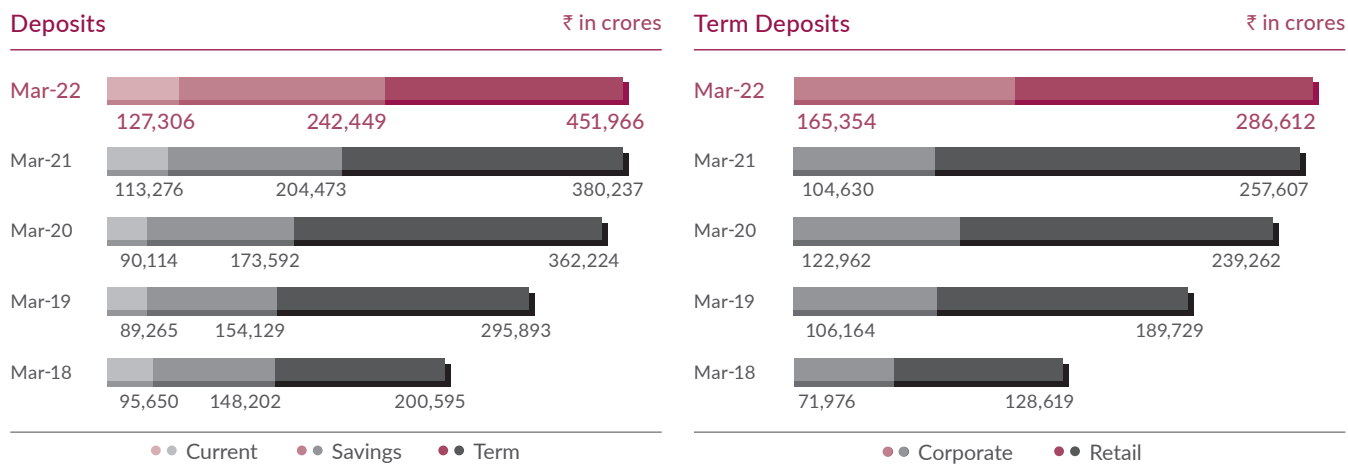


### Shareholder's funds

Shareholder's funds of the Bank increased from ₹101,603 crores as on 31 March, 2021 to ₹115,025 crores as on 31 March, 2022. This is mainly on account of increase in profits earned during the year.

### Deposits

The total deposits of the Bank increased by 18% to ₹821,721 crores against ₹697,986 crores last year. Savings Bank deposits reported a growth of 19% to ₹242,449 crores, while Current Account deposits reported increase of 12% to ₹127,306 crores. As on 31 March, 2022, low-cost CASA deposits increased to ₹369,755 crores, and constituted 45% of total deposits. Savings Bank deposits on a daily average basis, increased by 21% to ₹215,213 crores, while Current Account deposits reported a growth of 20% to ₹95,965 crores. The percentage share of CASA in total deposits, on a daily average basis, was at 43% compared to 41% last year.



As on 31 March, 2022, the retail term deposits grew 4% Y-o-Y and stood at ₹286,612 crores, constituting 63% of the total term deposits. The Bank continues to focus on expanding its granular deposit base (CASA + Retail Term Deposits) which now constitute 80% of total deposits as on 31 March, 2022.

### Borrowings

The total borrowings of the Bank increased by 30% from ₹142,873 crores in fiscal 2021 to ₹185,134 crores in fiscal 2022. During the year Bank has raised foreign currency denominated Additional Tier I bonds amounting to US\$ 600 million (Approx. ₹4,548 crores). During the year, the Bank redeemed Rupee denominated Additional tier I bonds amounting to ₹3,500 crores. Further, during the year the Bank also raised ₹2,600 crores through issuance of Infra bonds with a maturity of 7 years.

### Contingent Liability

Particulars	₹ in crores		
	2021-22	2020-21	% change
Claims against the Bank not acknowledged as debts	952	2,054	(54%)
Liability for partly paid investments	319	165	93%
<b>Liability on account of outstanding forward exchange and derivative contracts:</b>	<b>1,108,371</b>	<b>882,040</b>	<b>26%</b>
- Forward Contracts	517,803	510,118	2%
- Interest Rate Swaps, Currency Swaps, Forward Rate Agreement & Interest Rate Futures	542,609	335,418	62%
- Foreign Currency Options	47,959	36,504	31%
<b>Guarantees given on behalf of constituents</b>	<b>79,728</b>	<b>80,831</b>	<b>(1%)</b>
- In India	72,436	72,965	(1%)
- Outside India	7,292	7,866	(7%)
<b>Acceptances, endorsements and other obligations</b>	<b>56,942</b>	<b>37,806</b>	<b>51%</b>
<b>Other items for which the Bank is contingently liable</b>	<b>45,793</b>	<b>49,763</b>	<b>(8%)</b>
<b>Total</b>	<b>1,292,105</b>	<b>1,052,659</b>	<b>23%</b>



# Management's Discussion and Analysis

## 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, 2022, the Bank raised Additional Tier I bonds denominated in foreign currency amounting to US\$ 600 million (Approx. ₹ 4,548 crores).

Movement of CRAR during fiscal 2022	%
<b>CRAR as on 31 March 2021</b>	<b>19.12</b>
Increase on account of exercise of ESOPs	0.04
Increase due to profit in fiscal 2022	1.76
Decrease on account of consumption	(2.38)
<b>CRAR as on 31 March 2022</b>	<b>18.54</b>

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 64% as at the end of fiscal 2021 to 61% at the end of fiscal 2022.

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 18.54% at the end of the year, well above the benchmark requirement of 11.50% stipulated by Reserve Bank of India (RBI). Of this, the Common Equity Tier I (CET I) CAR was 15.24% (against minimum regulatory requirement of 8.00%) and Tier I CAR was 16.34% (against minimum regulatory requirement of 9.50%). As on 31 March, 2022, the Bank's Tier II CAR under Basel III stood at 2.20%.

The following table sets forth the capital, risk-weighted assets and capital adequacy ratios computed as on 31 March, 2022 and 31 March, 2021 in accordance with the applicable RBI guidelines under Basel III.

Particulars	₹ in crores	
	2021-22	2020-21
Tier I capital	117,875	104,748
Tier II capital	15,858	16,829
Out of which		
- Tier II capital instruments	9,624	11,440
- Other eligible for Tier II capital	6,234	5,389
<b>Total capital qualifying for computation of capital adequacy ratio</b>	<b>133,733</b>	<b>121,577</b>
<b>Total risk-weighted assets and contingencies</b>	<b>721,356</b>	<b>635,863</b>
<b>Total capital adequacy ratio</b>	<b>18.54%</b>	<b>19.12%</b>
Out of above		
- Common equity tier I capital ratio	15.24%	15.40%
- Tier I capital ratio	16.34%	16.47%
- Tier II capital ratio	2.20%	2.65%

## BUSINESS OVERVIEW

During the year, we have recommitted ourselves to ensuring that we will continue 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:** Optimize business mix, improve operating efficiency, sweat existing infrastructure and reduce credit cost below long-term average.
- **Sustainability:** Work towards driving execution excellence, continue to strengthen 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.

Fiscal 2022 has been an eventful year. Though marred by fresh waves of the COVID pandemic, our business model and new ways of working were able to withstand the challenges that resulted. We continue to capitalize on emerging opportunities guided by our GPS strategy. We are driving organization wide transformation projects to accelerate our GPS journey. These projects will help us in achieving higher liability relationships, growth in total relationship value, increasing cards market share, delivering tech products faster and improving productivity. We have embedded conservatism and sustainability while driving profitable growth. Two bank level distinctiveness initiatives: Sparsh (customer obsession) and Bharat Banking (tapping the high growth potential in RUSU opportunities) have been set in motion in fiscal 2022, in addition to the significant transformation projects underway across departments. We expect to reap the benefits of our efforts to build distinctiveness in the coming years.

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.

### **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 provides a complete bouquet of products across deposits, transaction services, wealth management and lending products for retail customers, small businesses, NRIs and retail institutions, backed by innovative, digital-first solutions.

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's strategy in Retail has been to gain a larger share of the wallet of existing customers, acquire quality new customers, and deliver a best-in-class experience, thus building customer loyalty. In line with its customer centric approach, the Bank continued its strong focus on holistic customer lifecycle management led by its strong data analytics to engage in meaningful conversations and provide the right product proposition. The Bank also continues to focus on digitization of sales, service and branch operations in order to offer hyper-personalized experience and simplified digital journeys.

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 2022, the Retail segment contributed 64%, 57% 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 that together grew by 16% Y-o-Y. Within this, the SA deposits grew by 19% Y-o-Y and the CA deposits grew by 12%, while the Retail term deposits grew by 4%. The Bank added 8.6 million new liability relationships during the year with 4.3 million of them being SA accounts, both of these being highest ever for any year.

During the year, a centralized market scoping system in CRM has been implemented which serves as a repository for all prospects and opportunities, equipping branches with relevant details to provide personalized solutions to customers spanning across financial products. An on-boarding framework was also launched to ensure right customer fitment and early engagement to carry out account due diligence in an effective manner.

Premiumization of deposits franchise continues to be an important imperative for the Bank. The Bank has over the last three years taken significant steps towards building a quality liability franchise with emphasis on greater customer engagement. The Bank remains focused 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 share of premium accounts in the overall Retail SA base book increased by 90 bps YoY to 43.9% as on 31 March, 2022.

The Bank continued to work towards leveraging its corporate lending relationships with top corporates to gain higher share in salary segment. Digital Onboarding through Video KYC was launched in June 2021 for Corporate Salary which enabled

Salaried Employees to open the Salary Account as per their convenience and provided seamless end-to-end experience. The Bank added 1.5 million new accounts in fiscal 2022, highest number of salary accounts for any year with all time high balance contribution from them, reflecting growth in both quality and quantity.

During the year, the Bank further deepened its relationship across the government businesses with various teams working together as One Axis, that resulted in government SA deposits growing 40% Y-o-Y on cumulative daily average balance basis. The Bank reinforced its commitment to support and safeguard the financial interests of government officials by signing an MOU with the Indian Army, Indian Navy, Kolkata Police and Maharashtra Forest Department among others. The Bank continues to offer them best-in-class benefits and features that include preferential offers on retail mortgage loans, auto loans and personal loans; and special salary accounts 'Republic' and 'Power Salute' with insurance, personal accidental / disability cover and additional children education grant.

Digitization remains a key focus area for the Bank. As an agile response to the customer needs arising post the onset of the pandemic, the Bank introduced a new Liberty and Prestige Savings Video KYC account that provides instant gratification through immediate A/c activation, complimentary virtual debit card and cashbacks on spends. Over 5.5 lakhs SA accounts were opened via VCIP during the year. In addition, the Bank also launched an Industry-first full KYC Digital based Fixed Deposit which allows account opening without a savings account within 7 minutes. During the year, the Bank also undertook several transformational projects to further strengthen the customer - RM engagement model backed on strong analytical models and insights driven through data engineered customer behaviors.

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. As on 31 March, 2022, the Bank had a network of 4,758 branches and extension counters as compared to 4,594 branches and extension counters as at the end of 31 March, 2021. The Bank's geographical reach in India now extends to 35 states and union territories, covering around 2,596 centres and 669 districts. The Bank also has extensive network of 10,990 ATMs and 5,972 Recyclers, which not only handled the cash deposits and withdrawals, but also served as self-service and fulfilment centres.

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) 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 5,000 members that include 1,500 staff comprising RMs as on 31 March 2022. 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 focused its approach on growth across all product categories, geographies and customer segments. Even though the COVID related slowdown in the economy impacted the growth in loans and disbursements during the first quarter of the year, the Retail Bank delivered strong growth in disbursements of 49% Y-o-Y that helped it to grow the advances by 21% Y-o-Y. The second half of fiscal year 2022 contributed over 60% to overall business indicating strong momentum build for fiscal 2023.

After a cautious approach taken last year, the Banks strategy continued to revolve around achieving higher growth in secured retail lending through its physical and digital distribution network. The Banks Retail business delivered higher disbursements growth in secured loans like Home Loans, LAP, Auto Loans and Small Business Banking (SBB) and the share of secured loan disbursements in overall disbursement mix stood at 81% in fiscal 2022.

The growth in retail advances was led by product segments like Rural agriculture loans (29% Y-o-Y) and SBB (up 60% Y-o-Y). The Bank witnessed strong momentum in unsecured loan products and card acquisitions in second half of the year. The growth in advances across unsecured personal loans and credit cards stood at 15% Y-o-Y and 19% Y-o-Y, respectively.

The Bank continues to invest in transformation projects that form the cornerstone of its growth strategy. The Bank continued its focus on process revamp in order to improve the productivity, employee performance and customer service. The Bank further expanded the scope of Project 'Unnati' and the pilot project helped to make processes more efficient resulting in improved productivity and TAT in Home Loans. The project will be extended to Auto Loans and Personal Loans in fiscal 2023 and will enhance the lead quality, productivity, channel engagement and turnaround time. Product trainings were initiated for sales managers and regional officers across Retail Assets vertical with assessment at the end of the training program to further enhance their product knowledge and productivity. The Bank launched project Sankalp for the SBB business to transform loan journeys through workflow and document management. The pilot launch shows promising results positively impacting the customer TAT resulting in an enhanced customer experience. DIY portal is also being developed for partners, channels and customers. Sankalp will be nationally rolled out in first half of next year. This will help achieve scale, productivity and channel engagement.

Increased 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. During the year, the Bank sourced 65% of its retail assets from its ETB customers and 51% sourcing was done from branches.

The Bank continues to focus on improving its distribution strength, while leveraging on cross-selling opportunities to its internal and known to Bank (KTB) customer base. The Bank's strategic partnerships with several prestigious automobile brands helped it to reach out to newer and wider set of customers during the year. The Bank has also 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 launched a solution to enable instance sanction of Home Loans for specific approved projects. Digital Lending platform for instant disbursement of Personal and Business Loans has been extended to Auto Loan top-up. The Bank sourced 46% of the Personal Loans through paperless digital platforms and 35% of Business Loans were digitally originated.

The Bank believes that its focus on transformation projects, investments in technology and conservative risk management practices will help in strong growth of retail assets with a good quality book. The Bank continues to invest in building risk management and analytical capabilities to mitigate risks. Risk based pricing approach has helped the Bank to improve the profitability of products while minimizing the losses. 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. The Bank has also fine-tuned its credit appraisal scorecards and effectively used partner data to offer loan to larger base of customers and strengthening the customer credit assessment. The incremental gross non-performing retail advances as a percentage of gross retail advances reduced by 37 bps over the previous year.

### Bharat Banking

The increasing income diversification, evolution of the tech stack, various government schemes to improve livelihoods, and integrating the country via roads and the internet have provided strong tailwinds to the Rural and Semi-urban (RUSU) or 'Bharat' markets.

To better capitalize on the growth runway and "open the world of possibilities" for the Bharat customer, the Bank has set up a separate 'Bharat Banking' vertical.

The objective is to accelerate the growth journey by expanding distribution reach via branches, partnerships, and digital presence, creating tailored products and processes, and using the One Axis strategy to harness synergies in all parts of the Bank to deliver to the Bharat customer. The Bank also continues to focus on growing the book profitably by enhancing productivity, improving operational efficiency to reduce cost, and containing risk by leveraging technology such as AI and ML & rigorous portfolio monitoring.

**Enhancing Distribution:** The 'asset led strategy' to acquire new customers continued to witness strong traction with the initiative expanded during the year to 2,065 branches from 1,577 branches last year. The Bank scaled up its partnership with Common Services Centers (CSC) to 40,000+ outlets this year that act as an extended low-cost distribution arm for customer acquisition and servicing and have aided the Bank to penetrate deeper into the RUSU markets. The performance has been encouraging, and the Bank intends to further expand the CSC network, replicating its strategy across similar partners.

**Digitization and 'customization' of products and branches:** The focus is towards building best in class digital capabilities to drive operational efficiency, offer customer delight, and improve productivity in the vertical. The Bank is re-designing the end-to-end customer journey for high potential product lines and creating platforms to become a partner of choice for the ecosystem.

The Bank is also working towards a Bharat centric product suite in both assets and liabilities that addresses the needs of the Bharat customers and is working with various parts of the Bank to strengthen the processes around risk and underwriting.

The Bank is re-imagining the branches in SURU markets and will bring more localized nuances into the design, moving away from a transaction to an experience led model. The Bank aims to further strengthen the brand in RUSU markets via micro-marketing initiatives, involving local communities such as colleges, and local melas.

**Promoting Access and Financial Inclusion:** The Bank has a comprehensive multichannel approach to reach the low income rural, semi urban, and urban population for government schemes and other banking products. The Bank strives to improve the usage of financial services through cost efficient digital means by offering customized products suited to the segment, including MSME loans, agriculture loans, vehicle loans, gold loans, MSME loans, bank accounts and a comprehensive suite of payment solutions. This is backed by a robust digital infrastructure to support customer solutions in a scalable and sustainable manner. The financial inclusion strategy has specific focus on women borrowers by expanding our microfinance reach, through offering mid-term loans for business expansion, individual loans to graduated Joint Liability Group (JLG) women borrowers, and payment solutions through strategic partnerships with leading industry participants to digitize the product offering.

## Management's Discussion and Analysis

The Bharat Banking initiative has made strong progress during the year with disbursements up over 50% Y-o-Y, including all core products as well as the retails assets sourced from the 'Bharat banking' regions. Bharat Banking book contributes meaningfully to the PSL targets as well. The Bank's deposit book from the 'Bharat Banking' regions increased during the year and contributed meaningfully to the Bank's total deposit book.

### Retail Payments

With the onset of COVID-19, the payments industry witnessed a significant shift in the customer spending pattern, with tremendous increase from cash to non-cash transactions. The convenience and security that digital payments solutions bring have led customers to become increasingly comfortable in transacting online and using various 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.

The Payments business continues to be at the core of Bank's Retail Banking strategy as it signifies the face of the franchise, increasing customer engagement and driving profitability. The Bank continues its focuses on building iconic payment products to deepen customer engagement and cater to the digital payment users.

During the year, the Bank saw positive traction in credit cards market share with strong growth in acquisitions, cards in force as well as spends. The Bank sourced 2.67 million cards in fiscal year 2022, highest ever for any year and now has 9 million cards with market share of 12%. The credit cards business also touched the highest ever yearly spends of ₹67,664 crores, yet another milestone for the business.

The Bank continued to build scale with marquee partnerships like Flipkart, Google, Airtel etc. During the year, 28% of credit cards were acquired through KTB partnerships across Flipkart, Google Pay, Freecharge and others, up from 21% in fiscal 2021 and 6% in fiscal 2020. This has not only contributed to a better portfolio with controlled risk but has also led to higher usage and spend metrics.

The Bank's marquee card proposition 'Flipkart Axis Bank Credit Card', a cobranded credit card in partnership with ecommerce giant Flipkart crossed yet another significant milestone of 2.22 million cards in force (CIF), adding over a million cards in 13 months. With a focus on facilitating fully digital card issuances, the Bank also launched the end to end digital issuance journey on Flipkart Axis Bank card in November 2021. 34% cards booked on Flipkart post launch have been via the end-to-end digitization mode. During the year, the Bank also entered into a strategic partnership with Airtel that will help it to offer credit cards and various digital financial offerings to Airtel's 340 million customers.

In addition to building on partnerships and growing the portfolio, the Bank focused extensively on enriching the customer experience by improving processes and eliminating bottle necks in terms of infrastructure. The Bank seamlessly migrated to Prime 4 platform with minimal impact at a time when COVID was at peak. The Bank now has the latest technology platform with higher processing capacity, additional APIs and a PA DSS (Payment Application Data Security Standard) compliant system.

Over the years, the volume and value of transactions made through cards have increased manifold. To improve user convenience and increase the security of card transactions, the Bank went live with card-on-file tokenization feature. This ensures an additional level of security for card-not-present type of transactions in case of data breach at merchant's end. Further adhering to regulatory guidelines for card security, the Bank introduced new validations before customer can initiate changes on their card usage profile. Only after confirmation of physical or virtual receipt of card, the customer may enable usage across online, contactless and international transactions.

During the year, the Bank also introduced virtual Debit Cards for their Salary segment to start transacting immediately after opening the account and earn spend linked benefits. Focusing on increasing penetration of contactless payments, all the EMV bins across networks were converted into contactless Debit cards, making payments truly on-the-go.

The Bank in its Merchant Acquiring business delivered strong performance and became the second largest acquirer in the country with an installed base of 1,010,244 terminals serving all categories of merchants from the urban and rural areas. The Bank's active terminal base increased by 66% Y-o-Y during the year that led to 413 bps increase in POS market share to 16.3% as of 31 March 2022.

The Bank also continues to invest heavily in creating state-of-the-art merchant user experiences. During the year, the Bank launched first of its kind "Android Lite PoS" - a smarter, sleeker, printer-less terminal loaded with value added services such as Khata, Card-less EMI & integrated BQR. 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 has 32 such acquiring partnerships that it is using as a lever to grow in the acquiring space.

In its bid to improve merchant experience, the Bank has also launched a digital onboarding process that helps optimize data capture and facilitates real time validation of information resulting in less manual errors, seamless interface and faster

installation. The early signs are encouraging as there is an adoption of ~60% on ground. The Bank continues to focus on improving the total relationship value of the merchant, in order to create a profitable merchant franchise. The Bank has rolled out several products such as insurance, credit cards, business loans, savings account, current account etc. that can be offered to the merchant if he has an acquiring relationship with the Bank.

In the UPI payments space, the Bank continues its efforts towards distinctiveness in becoming one of the leading payment franchises in the country by driving continued growth and focus on seamless customer experience. The Bank maintained its strong positioning in UPI with a market share of 15% as Payer PSP by volumes and 21% in the P2M acquiring throughput. The Bank now has partnerships with all the major third-party UPI apps in the ecosystem (including Google Pay Amazon Pay, PhonePe & Whatsapp) with more than 31 crore customer VPAs registered as on 31 March, 2022.

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. During the year, the Bank proactively upgraded its IT capabilities by setting up a dedicated system that helped it to achieve the low technical decline rates in the industry.

### Wealth Management

The Bank's wealth management business 'Burgundy' continues to be among the top wealth management franchises in the country with consolidated assets under management of over 2.61 trillion as on 31 March, 2022, translating into growth of 27% CAGR growth in the last 5 years.

The Wealth Management journey for the Bank that began in 2014 with the launch of '**Burgundy**' to serve the financial needs of the fast-growing Indian affluent segment, has gained further strength since 2020 led by **Burgundy Private**, the Bank's proposition for Ultra HNI customers.

Since inception, both the propositions have leveraged the strength of One-Axis to fulfil the specialized financial needs of all its customers. The Bank has an extensive branch network, an experienced team of 114 Burgundy Private Partners, Burgundy Relationship Managers and Wealth Specialists along with product experts and a comprehensive range of be-spoke banking, lending and wealth management solutions. These, along with strong focus on service delivery through simple and hassle-free processes, has helped the Bank to win and maintain a strong relationship with over 3,450 ultra HNI and HNI customers. The number of Burgundy customers has grown at an annual rate of over 74% since launch.

### Burgundy Proposition

Burgundy seeks to provide its customers with the intellect of an investment house along with the solidity of a leading bank. The customers have the choice of selecting from a range of customisable wealth management, personal banking, business and lending solutions for their varied needs – each tailored to help them grow and preserve their wealth.

To meet the varied wealth management and protection needs, Burgundy provides an open architecture platform to its customers with products and solutions, carefully selected from amongst the best providers in the market. In addition to leveraging the capabilities of the Bank and its subsidiaries, Burgundy has also built strong external partnerships to provide value-added services across all asset-classes including equity investments, fixed income, alternate assets, gold, forex, insurance and legacy planning to its esteemed clientele.

### Multi-Channel Platform & Digital Transformation:

The Bank's core wealth management system at the backend along with a multi-channel front-end platform ensures that it is able to provide investors with updated and regular information about their portfolios as a 24x7 experience.

Digital transformation is now the new normal in wealth management. Driven by analytics and enabling the frontline teams with various tools on their hand-held devices, The Bank has already embarked on this journey for proactive RM led client engagement. Additionally, the entire customer journey for investments in Mutual Funds using digital channels, from registration to fund selection, execution and monitoring has been revamped. Additional changes are being incorporated to drive personalisation and a high-touch client experience.

### Burgundy Private proposition:

The Burgundy Private team extensively leverages the One Axis initiative by working with:

- The Bank's subsidiaries to reach out to promoters of listed companies
- The Wholesale Banking team, in particular our Mid Corporate (MC) business and the Mid-Enterprise Group (MEG) within Commercial Banking group to identify, engage with and onboard key private client relationships.
- The Bank's New Enterprise Group (NEG) business to provide wealth-management solutions to the promoters and enterprises from the country's large start-up ecosystem.



## Management's Discussion and Analysis

The Bank also leverages its One Axis capabilities to cater to Burgundy Private customers be-spoke requirements. These includes Estate Planning, Family Office Solutions, Real Estate Advisory, Tax & Regulatory Advisory, Structured Credit solutions and Offshore Investments.

During the year, the Burgundy Private team also collaborated with Hurun India to launch the inaugural edition of “Burgundy Private Hurun India 500 Most Valuable Companies” list in December. This list celebrates the leadership of India's top companies, including those from the new economy. The Bank remains confident of leveraging this partnership in its efforts to engage with the leadership team at India Inc.

### 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 has launched the ability for its account holders to obtain a Forex Card through a completely digital process through their Internet or Mobile Banking account. This digital issuance has seen tremendous customer acceptance whereby the contribution of digital issuances to retail forex card issuances has risen to 63% within 10 months of launch.

In line with the its theme of providing 'a World of Possibilities', the Bank focused on offering customers digital alternatives to undertake retail forex transactions during the fiscal year 2022. The year also saw the launch of digital initiatives in remittances with the Bank becoming the first large bank among the peers to enable outward remittances through its Mobile Banking app. The truly convenient and intuitive journey on the Axis Mobile app helped digital outward remittances more than double during the course of the year with Mobile Banking surpassing the number of remittances done through Internet Banking during the same period. The Bank has relaunched RemitMoney, the Bank's online inward remittance service, in US fulfilling a critical need for NRIs. While enabling a completely digital journey for issuance of Forex cards to account holders of other Banks, the platform is being developed into a single stop solution for all forex card servicing needs of the customers coupled with attractive international offers to make the promise of 'Think Travel, Think Axis' alive for customers.

The Bank also continues to source NRI accounts digitally from non-face-to-face channels. The Bank has registered strong year-on-year growth in number of accounts opened via digital channels, with an average funding of ~₹1.5 lakhs in these accounts. This year the non-face-to-face acquisition mode was made live for “Burgundy Private” segment also.

During the year, the Bank also launched “Portfolio investment Scheme (PIS) services” on Axis Mobile app which has been an industry first feature. NRI customers can now login to their Axis Bank mobile application and can access to various services such as PIS permission letter, stock holding statement, capital gain statement and view the live balances of the stocks in one click.

### 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. During the year, Third Party Distribution business contributed 22% to Bank's retail fee income on back of its strong partnerships, contextual product launches, wide distribution strength and digital initiatives.

With a total Mutual fund AUM of ₹55,546 crores, the Bank continues to be the fourth largest distributor in the industry and had 10.78 lakhs mutual fund customers as on 31 March 2022. 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 from select product providers, 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 3.2 million total customers for Axis Direct with 4.91 lakhs customers being added in fiscal 2022.

The Bank is one of the fastest growing Bancassurance player in the industry with 27% Y-o-Y growth in life insurance premium and 13% growth in Non-Life premium.

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 strong product offerings.



In Non-Life 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 ICICI Lombard General Insurance Company Limited. The Bank has invested in building new channels of distribution with introduction of general and health insurance products for corporate banking customers and merchants. During the year, the Bank also entered into partnership with Niva Bupa Health Insurance to provide best-in-class offerings and has secured 50,000+ lives with Niva Bupa so far.

These journeys are now also available through Bank's Mobile and Internet banking platforms. The Bank recently revamped Mutual Fund Investment journeys on its mobile banking app and internet banking to ensure seamless access anytime, anywhere. The Bank also introduced an innovative user-friendly digital interface - Axis Marketplace - to facilitate distribution of insurance solutions. Axis Marketplace offers third-party products integrated directly with Insurance partner systems thereby providing seamless journeys and instant issuance facilities. The Bank has witnessed increased traction of this platform since launch with more than ₹300 crores of insurance premium being sourced from the platform in fiscal 2022.

The Bank continues to also focus on reimagining end to end journeys and build a digital ecosystem for Investment Products. The Bank recently revamped Mutual Fund Investment journeys on its mobile banking app and internet banking to ensure seamless access anytime, anywhere.

### 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 2022 was 44.86% 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 2022. During the fiscal 2022, the Bank purchased PSLCs of an aggregate amount of ₹ 53,550 crores at a cost of ₹ 1,247 crores and sold PSLCs of an aggregate amount of ₹ 54,400 crores and earned income of ₹ 350 crores. The Bank also achieved all sub sector PSL targets in fiscal 2022.

### Digital Banking

Digital focus has been one of the key pillars of the Bank's GPS strategy that has led the Bank to be at the forefront of providing cutting edge digital solutions to its customers.

The Bank has built strong in-house capabilities over the last 3 years with over 1,500+ people fully dedicated to digital transformation of the Bank. The Bank also has 350+ member team in-house engineering team comprising product managers, developers, designers, digital marketing specialists etc with over 76% 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

Focus on Numbers

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 introduced a number of digital products including Buy Now Pay Later, Merchant Cash Advance, Small business digital lending, Credit cards, digital journeys for investment products such as Digital gold, Sovereign gold bonds, etc. The Bank has also undertaken a large-scale

transformation of the Corporate banking business to deliver a best-in-class customer experience for our Corporate customers. The Bank also invested in developing an open-source design platform – “Sub-zero” to bolster its digital capabilities further.

Several of the products that the Bank launched in the previous years gathered traction in fiscal 2022. Across digital products such as savings accounts, current accounts, retail lending, forex cards, credit cards engagement, mutual funds, etc. volumes grew 100%+ year on year. WhatsApp banking launched last year has already scaled to over 4 million customer base. Grabdeals, the Bank's everyday offers platform witnessed over more than 10x growth in GMV during the year. The Bank expects the newly launched propositions to deliver significant impact going forward.

One of the key focus areas of the Bank's Digital strategy has been to increase efficiencies and deliver better cost income profile for the Bank by transforming the processes and operations. Over 90% of retail banking service requests have been digitized as part of creating the “Branch of the future”. This has resulted in significant improvement in first time right rates and straight through processing rates. The introduction of digital products has led to significant reduction in turnaround times, reducing the documentation and enhancing customer satisfaction.

The Bank's mobile app continues to remain among the best rated app in the financial services space in the country with a rating of 4.6 across both the app stores. There are more than 250 DIY services available on the Bank's digital channel that help people to move away from branches to digital channel. The Bank has further undertaken an effort to modernise the mobile app and bring in next gen capabilities such as hyper personalisation and improved customer journeys.

The Bank has all its staff on Bring Your Own Devices (BYOD) program and has enabled them access to critical systems such as CRM on mobile devices that helped them to remain active during the second and third waves of COVID pandemic and contributed to productivity.

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, providing an overarching view of the efforts and performance. The bank was awarded in various categories – Best Digital Lending Private Sector Award at the Assocham National E-Summit Awards. Similarly, the Bank was awarded the “Best Digital Bank” by publications like Asiamoney and Financial Express for the 2<sup>nd</sup> and 3<sup>rd</sup> consecutive year respectively. The bank also received IBA's Best Banking Technology Award and the Mint-TechCircle Business Transformation Award for Revenue Generation- Customer Experience. At an Asia level, the Bank received the award for the best infrastructure transformation modernisation by IDC.

### Wholesale Banking

The Bank today is amongst the best and most comprehensive Wholesale Banking franchises in the country catering to all the Banking needs of a corporate across lending products, investment banking, capital markets, and transaction banking with linkages to the Retail Bank.

During the fiscal year 2022, the Bank 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's Wholesale Coverage Group provides entire bouquet of products and services including cash credit facilities, demand and short-term loans, project finance, export credit, trade, forex and derivative solutions, payments and cash management systems, tax payments, salary accounts and trust services, commercial and credit cards etc. with the support of a well-defined Wholesale Banking Products team. The Bank's offerings are specially designed to meet all financing requirements to our coverage clients which now encompasses a diverse customer group.

The Bank's Wholesale Coverage serves diverse customer segments ranging from governments and MNCs to financial institutions and SMEs through its sharpened coverage structure, as follows:

- **Large Corporates:** Covering all corporate clients with turnover greater than ₹1000 crores;
- **Mid-Corporates:** Covering all corporate clients with turnover between ₹250 crores and ₹1000 crores;
- **Focused Segmental Coverage:** Covering Strategic Clients, Government-owned entities, Multi-national companies, and Financial institutions group companies.
- **Commercial Banking Coverage Group (CBG):** Caters to businesses with turnover between ₹10 crores to ₹250 crores.

During the fiscal 2022, the Bank's corporate loan book grew by 4% over fiscal 2021. Segments such as the Mid Corporate and CBG which are the amongst the focus areas for the Bank delivered higher growth of 45% and 26% respectively.

The Bank continues to focus on delivering higher relationship RaRoC with focus on granularity and broad-basing the client base. During the year, the Bank's strategy of sectoral approach to portfolio diversification and credit continued, where the focus was on identifying sector specific opportunities and risks; and grow accordingly.

Approximately 92% of new sanctions in the corporate book were to companies rated 'A-' or better. Presently, 88% of outstanding standard corporate book is to companies rated 'A-' and above.

During the year that was impacted by COVID pandemic, the Bank's proactive measures enabled it to counter the near-term risks, while also supporting its customers, employees and partners in meeting their myriad challenges. During the year, the Bank was adjudged #1 on the Quality Index for both Large Corporate and Middle Market banking in the Greenwich Banking Survey 2021. The Bank was recognized as # 1 for distinctive in "Addressing COVID-19 Needs for clients" both for large Corporate Banking and Indian Middle Market Banking. The Bank was also recognized for ease of doing business, knowledge of Transaction Banking needs, coordination of product specialists and timely follow-up.

As part of its Open Customer centric approach, the Wholesale Bank has been at the forefront of bringing new digital products and services that help transform customer experiences. During the year, the Bank launched a Developer portal to develop an end to end digital onboarding journey for corporate clients. Over 529 clients have engaged on the portal since its launch.

The Bank has also made significant progress in reducing the turn-around times for operational activities by digitising key processes. This has helped employees to spend more time on understanding their clients' needs and designing and delivering the right solutions for them.

Additionally, in order to maximise the value of this time for its colleagues, the Bank is completely digitising their way of working through an industry first, analytics driven, mobility app. This platform will provide a customer 360 view, action-oriented analysis of the entire portfolio, contextual nudges continuously optimised through machine learning and the ability to do all internal tasks through a single window.

During the year, the Bank successfully executed the industry-first blockchain enabled Domestic Trade Transaction between large steel manufacturing firms on Secured Logistics Document Exchange (SLDE), a Government of India (GOI) backed platform. The platform provides swift and seamless experience to all participants involved in the trade transaction, giving them visibility of the transaction and documents, thus resulting in better management of working capital requirement.

The Bank also became the first Indian private sector bank to arrange a term Secured Overnight Financing Rate (SOFR) linked trade financing deal. The Bank was also amongst the first set of Banks to conclude structured derivative transactions with the country's large corporate houses after the RBI's fresh guidelines on these structured derivatives came into effect from January 2022.

The Bank has been a pioneer in Government business amongst private sector banks and has a compelling products and solutions offering for the Government segment. The Government business segment of the Bank witnessed a robust growth in fiscal 2022. The aggregated level current account and saving account balances registered a 16% Y-o-Y growth.

The Bank showed agility towards various socio-economic and public expenditure initiatives by Gol sourcing a record number of 570 new mandates in fiscal year 2022, up 36% Y-o-Y. Majority of these mandates were won by deploying tailor-made solutions complementing initiatives like Single Nodal Agency (SNA), Public Financial Management System (PFMS), Government e-Marketplace (GeM) etc.

The Bank continued to maintain its leadership in Debt Capital markets and was ranked as the number one arranger for rupee denominated bonds as per Bloomberg for 15<sup>th</sup> consecutive year.

During the year, the Bank was also awarded "Asian Bank of The Year" by IFR Asia, for the breadth of coverage and depth of expertise in the investment banking space. The award acknowledges the bank's outstanding performance in equity and debt issuance and the Bank's "One Axis" philosophy which is also a key area of distinctiveness.

As part of its thought leadership initiatives, the Bank has been organizing – Treasury Markets Talks – a talk series hosted by its Wholesale Banking team on diverse topics such as monetary and fiscal policy, geopolitical developments, international trade and economy and financial markets. The series has been received very well by all stakeholders, with participation from leaders in the Corporate and Financial sector.

As one of India's largest lenders in key growth sectors, the Bank remains committed towards ensuring adherence to highest standards of environmental and social sustainability by being providers of responsible and sustainable finance. In September 2021, the Bank announced a series of commitments aligned to achieving Sustainable Development Goals. The Bank has set a target of incremental lending of ₹30,000 crore over the next 4 years, under the Wholesale Banking segment towards pertinent sectors included in its Sustainable Financing Framework.

The Bank also made a commitment to strengthen India's healthcare infrastructure by signing a memorandum of understanding (MoU) with IPE Global Ltd. Under this partnership, the Bank will provide affordable finance of up to USD 150 million through

SAMRIDH (an initiative supported by the United States Agency for International Development), to support health enterprises and innovators who would otherwise not have access to affordable debt financing.

### **Commercial Banking**

The Commercial Banking Group (CBG) addresses the banking needs of Small and Medium enterprises businesses and is one of the fast growing and 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 has a strong network across the country offering best in class service through 146 dedicated CBG centres and the business being delivered through more than 4,600 branches. The CBG book remains well diversified across the geographical regions and across all major industrial sectors.

The Bank's CBG loan book delivered strong growth of 26% in fiscal 2022 on back of its strong relationship network and continued focus on improving its processes using digital platforms. The Bank's CBG advances stood at ₹77,067 crores as at 31 March, 2022 and constituted 11% of the Bank's total advances.

The Bank through its "Project Sankalp" has made significant progress in its journey towards digital transformation by bringing in efficiency in processes and developing sales enablement tools to improve customer experience and deliver growth. The Bank is also working on its focussed customer obsession program towards creating customer delight experiences and designing smart digital journeys for the day to day transactions of its CBG customers.

The Bank also adopted the strategy of enabling digital support to relationship teams from pre sanction onboarding to relationship deepening through the various initiatives under Project Sankalp.

The CBG coverage focus on deposits resulted in 12% Y-o-Y growth in Bank's overall current account deposits. The fees from CBG segment also 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.

The CBG business will continue its focus on offering customised banking solutions to the small and medium enterprises through digital enablers as well as best in class customer service.

### **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. The Bank with its re-aligned product team structure and revamped service architecture, continued to drive the digital penetration across its product offerings, as it remains focused on driving 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, and trade finance services. The key financial deliverables of the business are current account float balances and fee income.

One of the key growth imperatives for the Bank on the wholesale banking side has been the focus on digital. The Bank has embarked upon an end-to-end digital transformation encompassing reimagined customer journeys and building new platforms powered by a cutting-edge technology stack. The umbrella of initiatives has been designed keeping in mind the evolving customer preferences and benchmarked against the global best-in-class and not merely restricted to current state of financial services. The delivery will be focused on the entire spectrum of wholesale digital offerings across entity sizes (small businesses to large corporates), user personas (data entry users to authorizers to CXOs) and digital maturity levels. The Bank will offer the choice ranging from Corporate Internet Banking and mobile app, Host to Host integration using SFTP, APIs as well as partnerships with multiple platforms. The Bank has one of the best-in-class corporate developer portal that enables a completely digital journey for the corporates.

While the Bank remains focused on building a digital first platform grounds up, it is also exploring various partnership opportunities with fintechs to augment existing customer offerings, co-create platforms and strengthen the Axis franchise.

### **Current Account and Overdrafts**

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 12% during the year. The Bank had launched Full Power Digital Current Account

for the Individual customers in fiscal year 2021. Customers are being on-boarded through Paperless journey for Corporate Internet Banking (CIB) for domestic payments, Trade and Forex transactions (Incl. Forward contract confirmations). During the year, the Bank along with Freecharge launched a new completely digital product 'Merchant Cash Advance' on Freecharge Business app. The product offers an integrated Digital journey experience for availing digital zero balance current account with unsecured term loan facility of up to ₹5 lakhs.

### Cash Management Solutions

The Bank provides comprehensive cash management solutions across all segments. During the year, the Bank introduced an API Banking Corporate Developer Portal that will provide customers access to the Bank's API suite, uses cases and the sandbox for testing. The Bank has implemented a new payment hub for handling NEFT volumes of API Banking customers which has been steadily increasing. This new payment hub makes the Bank future ready for handling the transacting requirements of nodal customers. The Bank has become one of the leading players in the e-commerce space led by its existing nodal relationships and the initiatives undertaken to build new API infrastructure.

During the year, the Bank received authorisation from Central Board of Indirect Taxes and Customs (CBIC) for collection of Customs Duty after removal of embargo for Private banks. The Bank went live in January 2022 and has collected approximately ₹3,400 crores during the fourth quarter. The Bank has also gone live with Railway e-Freight Collection and received authorisation for State Tax Collection from Govt. of Rajasthan and Govt. of Himachal Pradesh.

During the year, the Bank introduced several new features on the Easy pay platform, like enablement of multiple payment options, corporate front end user Interface and integration with Fintech partners to facilitate customers with better and improved services. The Bank has now direct integration with NPCI for eNACH processing, where dependency on service provider / aggregator has been eliminated towards mandate registration and transaction processing. The Bank has also tied up with the Business Correspondents (BC) channel thereby providing the feature of 18,000 additional service points towards cash collections.

**Bharat Bill Payments System (BBPS)** The Bank has been steadily increasing its market share in the BBPS ecosystem and its leadership position was recently recognised by Ministry of Electronics and Information Technology (MeitY). The Bank was awarded the DigiDhan Award for 2021 for on boarding the highest number of billers on BBPS.

**Beyond Banking Solutions** The Bank has designed various Smart City Solutions which empower citizens to make cashless payments, apply for services, raise grievances, etc. As a part of Digital India drive, Bank on-boarded multiple smart solution projects during the year to digitise the existing processes of various Government departments like health, horticulture, fisheries, mines, urban local bodies etc. These have helped the Bank to create competitive advantage in industry.

### Trade and Risk management Services

The Bank offers a complete suite of trade finance products and solutions, for domestic trade as well as international trade finance, supply chain. These solutions are offered through dedicated specialised teams spread across the country as well as through its designated corporate banking branches and forex "B" category branches. Additionally the Bank has also specialised resources, that provide middle office services to clients for trade finance, with processing of transactions by separate team.

These propositions are designed to help provide solution across working capital management, risk management and efficiency for the clients. The team also structures bespoke solution to meet client specific requirements. The Bank continues to provide solution for clients through onshore as well as offshore banking units & leads the adoption of international best practices.

The Bank continues to broaden its business and focuses on delivering innovative solutions. Some key industry-first trade linked transaction executed in fiscal 2022:

- Secured Logistics Document Exchange - Industry-first blockchain enabled Trade Transaction
- SOFR linked Transaction - India's first Term SOFR linked Trade Financing through GIFT City

The Bank continues to enhance its digital capabilities to offer value added services to corporate clients through its integrated digital platform. The Bank has undertaken a comprehensive project to revamp its digital capabilities, focusing on enhanced UI/UX for the customers as well as provide latest integration channels for communication such as SFTP and API.

Additionally, the Bank is working along with various third-party solution providers such as SWIFT to provide bank agnostic channel for clients. The Bank is also actively engaged with other players in the ecosystem, to promote digital infrastructure in the country.

The Bank is also one of the few private sector banks that act as advisory bank in Government e-Marketplace (GeM). This tie-up will enable 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 closely with corporates across various industry sectors.

Supply Chain Finance asset book has a balanced product mix consisting of products like dealer finance, vendor finance, factoring and payable finance. The SCF business has been pivoted to focus on payable's side and with launch of reverse factoring, the Bank has been able to deepen relationships and provide a technology driver solution. The SCF business has weathered the COVID-19 storm and overall health of the portfolio has been well maintained through close monitoring and deploying timely corrective measures.

As part of the overall Industry focussed strategy, the SCF team is partnering to create bespoke, industry specific SCF solutions for dairy and FMCG sector. These are targeted to address unique sector specific challenges and deliver superior value from working capital management perspective.

## 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 - DCM (Domestic DCM & International DCM), Treasury Sales and Loan Syndication business.

Treasury Sales works closely with coverage team to provide customised risk management and hedging solutions to our diverse clients. The solutions provided are across a range of products including FX, Derivatives, Fixed Income and Commodities, and the breadth of customers we serve allows us to make competitive prices across these wide-ranging products. The Bank's key strengths in complex and structured risk management solutions, hedging advisory and execution skills makes it rank among the leading Treasury solutions provider in the country.

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 Corporate Bond & Equity Trading desk undertakes primary and secondary market investments in corporate bonds, commercial papers, certificate of deposits, and equity instruments. The Bank's Corporate Bond (net) Book as on 31 March, 2022 stood at ₹45,144 crores.

The Bank's Loan Syndication desk is responsible for arranging loan facilities for corporate clients on underwriting / arranger/ best-efforts basis while also undertaking secondary sale and purchase of loans. The group, being active in both domestic and international loan markets, plays an integral role in balancing the risks and returns on the Bank's corporate loan book. The Bank continues to remain a dominant player in the Debt Capital Market (DCM) segment. For fiscal year 2022, the Bank arranged bonds and debentures of close to ₹76,900 crore. The Bank maintained its leadership position in rupee denominated bonds, as per Bloomberg for the 15<sup>th</sup> consecutive calendar year. The Bank also has a growing International Debt Capital Markets franchise with mandates from strong corporate issuers for their international bond issuances. The group has demonstrated a track record of arranging several ESG compliant issuances.

## Customer Experience and Transformation (CXT)

The Bank aspires to be India's most customer obsessed bank and has embarked on a journey to deliver world-class customer experience through interventions across 4 inter-linked layers - listening to and acting on what the customers are telling, optimizing all journeys where customers interact with the Bank, enabling colleagues who are engaging with customers and transforming the core operations that support all experiences.

- **Listening to customers:** The Bank's Voice of Customer (VoC) program is systematically designed around "Listen", "Learn" and "Act".



The Bank is building an omni-channel, real-time customer feedback capability to augment its existing VoC program (which already covers all segments and products) to ensure that it is listening to customers through the channels that they prefer immediately after their interaction with the Bank. Net Promoter Score (NPS) will be the guiding metric to assess the impact of the program.

The Bank is also enhancing its ability to extract insights by analysing all forms of written and verbal customer feedback, through artificial intelligence and machine learning.

- **Optimising all customer interactions:** The Bank is aiming to delight customers by re-crafting all key onboarding and servicing journeys at every touchpoint. To this end, more than 30 key customer journeys across the Bank have been prioritised and agile teams are leveraging customer feedback, disruptive technology, and deep insights to reimagine the same.
- **Enabling employees who engage with customers:** Delivering great customer experience requires highly empowered and motivated employees, who have the time and the capability to engage in deep, meaningful conversations with customers.

The Bank has freed up employees' time by removing operational activities and digitising key processes. For example, Wholesale Banking Relationship Managers now have 50% more time to spend on understanding their clients' needs and designing and delivering the right solutions to them; colleagues in branches can now spend 50% more time engaging with their customers.

In order to maximise the value of time for its employees and customers, the Bank is completely digitising their way of working through an, analytics driven, mobility app. This platform will provide a customer 360 view, action oriented analysis of the entire portfolio, contextual nudges continuously optimised through machine learning and the ability to do all internal tasks through a single window to all relevant Bank applications.

- **Transforming core operations that support all experiences:** The operations backbone is critical to enabling exceptional experiences and the Bank continued its journey to transform core operations this year through a digital-first approach. Leveraging intelligent automation (Robotic Process Automation, Intelligent Optical Character Recognition), analytics (e.g. route optimisation for cash handling) and digitisation in addition to core simplification and process re-engineering, processes continue to become more efficient, effective and scalable while lowering unit costs. For example, straight through processing of credit card service requests has increased to 85%.

Data is a strategic asset for the Bank and is critical to providing delightful customer experiences. Significant investments are underway to capture high-quality data from all sourcing systems, create a single source of truth and maintain the sanctity of this data. Leveraging this infrastructure, customers will receive highly personalised experiences, frictionless journeys and anticipatory, pro-active outreach to address their needs even before they realise it.

### Project "SPARSH"

The Bank has embarked upon a distinctiveness program called "Sparsh" to drive customer obsession in the Bank. Sparsh is a passion that drives the Bank's aspiration to become the most customer obsessed bank in India. This journey is aimed to build customer experience as a true differentiator for the Bank and ultimately drive promotor scores.

The core credo of Sparsh is "Delight our customers and fulfill their dreams, through smart banking everyday."

As part of the broader agenda of Sparsh, the Bank has been working to empower and train its 85k+ strong staff to become delight advocates. The Bank is also building institutional capabilities to capture the voice of the customer and strengthening its ability to measure and act on customer feedback. In order to ensure that customer obsession is embedded in the culture, the Bank has made several ground level interventions over the course of the past year. These include initiation of deep work in select channels, 'Inspire'sessions with customer service leaders from the best global customer-centric organisations, workshops to cascade the message of Sparsh to the top 250 leaders, and thereon to the 4,500+ branches. The Bank has also been working to engage its frontline staff in the ideation process, helping cement their sense of ownership, and have given public recognition for employees who live the 'Sparsh' behaviours.

### Business Intelligence Unit

The Banks' Business Intelligence Unit (BIU) team has the mandate to create data assets and monetize them via various business decisions and strategies. The team has numerous success stories in the areas of risk management, marketing, product innovation and operational optimization. The Bank has an in-house Data Science and Artificial Intelligence (AI) team providing cutting edge solutions to various functions of the Bank. The team has successfully deployed and driven adoption of predictive solutions across all businesses.

There are over 450 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, Hive and deep learning frameworks like TensorFlow, Keras etc.



The Bank has invested in new age data science and engineering platforms – Big Data Lake, Micro Services-based architecture, and Analytical Work Bench to deliver value in traditional/non-traditional use cases. 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 internal stakeholders to make data driven business decisions.

During the year, the BIU team focussed on creating distinctiveness in the areas of Cloud computing, Big-data platforms, Hyper-personalization & Alternate data with the objective of creating differentiated customer experiences in line with the Bank's focus on customer obsession & going digital. Machine Learning algorithms and Cloud capabilities have been used to provide Hyper-personalized 100+ nudges across customer digital journeys, cross-sell & regulatory compliance. Along with Omni-channel strategy, the same ML platform has also been supporting Relationship Managers with personalized nudges to serve customer needs better. BIU also continued to work on straight through credit journeys for customers towards improving turn-around times.

The Bank also focussed on creating new age digital solutions by leveraging on partnerships with E-commerce and FinTech companies. It has improved customer underwriting by using various alternate data sources such as Satellite-image derived farmland data, payments score etc. The customer base qualified for data based lending has increased from 24% (in fiscal 2017) to 56% (fiscal 2022), The Bank's proprietary machine learning scorecards enabled 82% of the entire disbursements in Retail Loans (Including Rural). Further, the Bank's database programs contributed to 75% of Credit Card sourcing and 59% of Personal Loan sourcing in fiscal year 2022.

The Bank continued its focus on using scientific & data driven tools for hiring. BIU has conducted Datathons /Hackathons to provide new-age learning platforms. BIU has setup a strong data quality & data governance framework with six-sigma scorecards being deployed across its data infrastructure.

The Bank's income estimation model (AI based backbone) was recognised for superior Data Intelligence and was awarded at the IDC Industry Innovation Awards 2021.

### **Information Technology and Cyber Security**

The Bank's Information Technology (IT) strategy remains guided by our aspiration of becoming India's most valuable bank while focusing on customer obsession & delight through integrated technology capabilities. 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.

In the last two years, the Bank's IT team strength has increased by 75% while the IT spends have gone up by 2x. The Bank's strong Tech and digital team of 1,500+ members have been working towards execution of key 30+ transformation initiatives towards transforming the core and developing future ready capabilities while building greater resiliency in its technology stack. 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.

The Bank's 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; with 99% of staff trained in Agile and 94% in DevSecOps, while 100% of IT staff is Yellow belt certified.

During the year, the Bank's IT team made significant progress on its enterprise-wide transformation journey with focus on areas of engineering excellence (Agile & DevSecOps), enterprise, channels and data architecture, automation, applications rationalization, integration, and infrastructure resilience. The transformation journey focuses on four fundamental benefits of faster and more efficient delivery of tech projects, improved quality and resilience, delivery of critical business and operational capabilities, and improved the Bank's perception in the market.

The Bank is a leader in Cloud adoption and has taken a complete cloud first approach. The Bank has been the first to create 3 landing zones (AWS, Azure and GCP) to support its multi-cloud strategy. The rapid pace of cloud adoption, driven by a dedicated Cloud COE, has helped the Bank to drive business innovation at a faster pace. Using automation and SOPs, the Bank reduced its infrastructure provisioning TAT by ~90% compared to comparable on-premises solutions. This helped the Bank deliver faster, better on digital initiatives (like Video KYC based CASA opening and WhatsApp banking). The Bank had 55+ critical applications on Cloud as of March 2022 and is targeting to take 70% of its applications on cloud in next two years.

The Bank remains committed to its open ecosystem proposition to build dedicated partnerships with its focused API strategy. The Bank has adopted 'Next Gen integration' by already deploying more than 325 APIs across Retail and Corporate channels on its Developer portal. The Bank continues to roll out new APIs to enable digital customer journeys and partner on-boarding leading to reduced time to market.

Additionally, the Bank continues to build capabilities in emerging technologies of AI, ML, Automation, and Data Analytics. The Bank has 2,200+ RPA bots in action and 1,000+ automated processes, and is targeting best in class efficiency for RPA, Voice, and IOCR. During the year, the Bank continued to introduce, and scale new products driven by its zero-based redesign philosophy. The redesigned customer centric journeys enable minimum to no data entry with automated underwriting.

During the year, the Bank executed an industry first blockchain enabled domestic LC transaction on SLDE (Secured Logistics Document Exchange), a Government of India backed blockchain platform. This platform provides a seamless experience to all participants involved in trade transaction, giving them visibility of the transaction and documents, thus resulting in better management of working capital requirement.

The Bank also concluded structured derivative transaction, as per Reserve Bank of India's fresh guidelines for over-the-top derivatives. The 'Barrier FX options' transactions were undertaken for the purpose of managing currency risks and allows Indian corporate houses in utilizing complex derivative products for hedging foreign exchange and rate differential risks.

The Bank partnered with SWIFT to provide comprehensive, digitalized trade banking solutions. This will help digitize bank guarantees and reduce TAT from current 2 weeks in physical form to within a few minutes. The Bank also offers digitized application forms for payment through Asian Clearing Union and other legal forms, which are required under the FEMA (Foreign Exchange Management Act) Act.

The Bank remains committed to the highest standards of data security and privacy and continues to invest to enhance its capabilities. The Bank follows 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. The Bank is compliant to ISO27001 and PCIDSS standards. The Bank has a 24x7 Security Operations Centre and Cyber Security Operations System. 100% of the digital products of the Bank are under Dark Net monitoring. The Bank had a Bitsight Rating of 780 out of 900, indicating better security performance. The Bank is also moving to a zero trust architecture internally, adding security technology and process controls and most importantly training all its 85,500+ employees on cyber security.

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:

- ✓ Multifactor authentication has been enabled for users connecting through Remote access.
- ✓ Secure and isolated environment for Remote access to critical systems were configured, to prevent sensitive data leak or unauthorized access.
- ✓ Advanced End-Point controls and Data Leakage Prevention (DLP) control to detect and prevent endpoints being target of cyber-attacks.
- ✓ Spam and Phishing emails protection have been enabled to protect against email-based cyber-attacks that were rampant during the pandemic.
- ✓ 24x7 security monitoring along with usage of Cyber Security Threat Intelligence to detect malicious underground activities against the Bank.
- ✓ 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

Information & Cyber Security governance framework is in place at executive level at the Board through its Risk Management Committee, Information Technology Strategy Committee and Information System Security Committee which oversees the Bank's Information and Cyber Security initiatives so that those controls commensurate with the risks and threats applicable to the Bank and its information assets.

### **Risk Management**

The Bank continues to focus on strengthening the risk management capabilities by leveraging on advanced analytics and frameworks.

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.

# Management's Discussion and Analysis

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.

With the impact of pandemic continuing in fiscal year 2022, the Risk department continued to carry out stress testing exercise on its overall portfolio to assess incremental stress using over 1,000 variables, internal as well as external data points, and over 125 combinations.

## 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 pandemic

The impact of COVID-19 continued in fiscal year 2022, with disruption in every sphere including financial sector. The Bank continued to function based with in control framework introduced in fiscal year 2021 to handle the pandemic which included strengthening the process, controls with continued focus on customer centricity.

The Bank had set up Centralised Emergency Response Framework in fiscal year 2021, 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 continued to monitor health and continuity during the resurgent second and third waves. 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.

The Bank continued with its hybrid working model through most of the fiscal, but had initiated complete 'Work from home' mandate well before the surge in second and third COVID waves. The Bank continued to issue regular health advisory, monitoring of staff health, maintaining social distancing, sanitisation and undertook other safety measures. The Bank's strong IT infrastructure that was scaled up in fiscal year 2021, continued to support Continuity of Operations and ensured uptime in branches and ATMs.

The Bank introduced additional control measures to mitigate likely risks associated with market volatility during COVID 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 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.

## Subsidiary Governance

RBI has identified Axis Group as a Financial Conglomerate (FC) under the Inter Regulatory Forum (IRF) mechanism which necessitates continuous oversight on subsidiaries. The oversight on Bank's Subsidiaries is an essential element for the implementation of well aligned corporate governance principles across group entities. It assists in integration of our theme "One Axis" by sharing uniform practices across the Group and build up synergy in common practices. Towards this objective, the Bank has implemented an integrated Subsidiaries Governance Framework. The Subsidiaries Management Committee in the Bank oversees the alignment of governance practices at Group level under the guidance of 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. The framework is supplemented by a set of Governance policies and a monitoring mechanism under the Board approved framework.

### **Compliance**

The landscape around compliance in India has been changing quite significantly over the past couple of years. The regulatory expectations and level of tolerance have seen a significant change towards the global-best practices. The other important aspect of change has been the flurry of introduction of new channels, products, services, ways and options of doing things along with emergence of a whole new set of players powered by fintechs.

The Bank's compliance function has been actively working with all the stakeholders towards meeting the higher level of expectations from the regulator and also meeting ever increasing & complex needs of businesses from compliance to ride the wave of changes and competition. The compliance function in the Bank reports to the Audit Committee of the Board and active involvement of the Committee makes a significant positive impact in the working of compliance function and also in the matters of ensuring compliance across the Bank. Number of projects has been initiated in the area of automation of workflows and use of analytics and machine learning in the functioning of anti-money laundering unit as well as in guiding various teams within the Bank to ensure better compliance. The other area of focus for the compliance function currently is to enlarge the scope & coverage of compliance testing programs to identify any gaps in systems & processes or weakness in remediation of any regulatory observation, so that necessary additional remediation, if required, are put in place well in time, thereby mitigating avoidable risks. One more area of focus for the compliance function is to strengthen the framework of root-cause-analysis (RCA) to avoid repeat failures and help the Bank in maintaining a robust & sustainable set up of internal controls thereby minimizing and eliminating as far as possible, any regulatory concern. In many of these areas, compliance function actively collaborates with the other two assurance functions within the Bank, Risk and Internal Audit, to present a comprehensive view and working approach on various important matters. One of the primary objectives of the compliance function continues to be to provide timely and constructive advice to all the functions across the Bank, and the group entities, to arrive at the most optimal solution to meet the customer & other stakeholders' aspirations and at the same time ensuring compliance to regulations.

### **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 following 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 undertaken several technological initiatives using robotics process automation, artificial intelligence and machine learning for providing enhanced efficiency and effectiveness through technology driven audits. The Internal Audit function has an effective mix of resources with technology and functional skill sets for effectively conducting technology driven audits. The Audit function is continuously enhancing the skill sets of the audit resources towards technology driven audits, for making the Internal Audit Function agile and responsive towards the emerging and strategic risks.

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's 'OPEN' philosophy continues to shape its strategy and actions towards creating long term impact in the community. Through its CSR interventions, which are guided by the CSR Policy and overseen by the Board and its CSR Committee, the Bank has been contributing towards the socio-economic welfare of underprivileged and under-represented communities across the country primarily under the broad themes of sustainable livelihoods, education, financial literacy and financial



inclusion, environmental sustainability, as well as relief- and need-based interventions. The Bank's CSR efforts consciously strive to touch the most marginalized communities such as those in the Aspirational Districts identified by the Government of India or country's remote regions. The Bank continues to ensure that its CSR Policy, governance and oversight, and project implementation are in accordance with the Section 135 of the Companies Act 2013 and all rules made thereunder.

The COVID-19 pandemic continued to impact lives and livelihoods of millions of Indians during the Fiscal. For the second consecutive year, the Bank's CSR focused on ameliorating the hardships of communities most affected due to COVID and it continued to extend its support to front-line warriors including police departments, Urban Local Bodies, government departments, hospitals among others to combat the second wave of the pandemic. This year, the Bank also supported vaccination drives for the economically weaker sections in urban areas in partnership with pertinent government and healthcare entities. The Bank also supported 120 paediatric cardiac surgeries for children from economically weak backgrounds diagnosed with Congenital Heart Diseases (CHD), across three states.

In the rural areas, the Axis Bank Foundation (ABF) actively supported the population that was most impacted by the pandemic, facilitating diverse interventions including vaccine awareness, access to medical facilities, providing grocery and medical support, and creating and supporting quarantine centres. With the onset of the Kharif season, ABF also supported farmers to maintain access to inputs they required for cultivation. Due to the pandemic, many migrant workers returned to their villages, which, aided with good monsoons, allowed for more land to be brought under cultivation thus enhancing farmers' incomes. With the easing of lockdowns in most urban centres, while the skilled labour returned to work in the cities, unskilled labour stayed behind in many pockets that needed to be provided with suitable skilling to enhance their livelihood opportunities. Driven by the pandemic, the wider adaption of the 'work from anywhere' culture within India's corporate sector also opened new employment opportunities for Persons with Disabilities (PwDs), a key focus of ABF's skilling interventions, which launched a pilot supporting gig opportunities for PwDs.

The Foundation made strong strides towards achieving the 'Mission 2 Million' commitment by 2025 under its Sustainable Livelihoods program, achieving a significant milestone when it crossed the halfway mark of supporting 1 million households under the Commitment, in February 2022. ABF reached 1.03 million households/participants in 205 districts across 26 States and Union Territories of the country cumulatively as on 31 March, 2022. In this fiscal alone, it reached 0.11 million participants in 17 states.

During the year, the Bank significantly expanded its CSR focus on education, supporting and expanding its interventions under this theme in various parts of the country.

The Bank's flagship program in education, Axis DilSe, that aims to provide children from remote regions in India with opportunities to better learning, completed its second year of partnership with the Sunbird Trust to support the Lyzon Friendship School in rural Manipur. Under the program, the infrastructural expansion of the school and its hostel, and pedagogical and training support to its teachers and pupils enabled it to expand its student strength to over 300 students, all of whom hail from tribal and rural communities. During the year, the Bank expanded the Axis DilSe program to Majuli in Assam, which is also India's only island district, wherein it is partnering with the Ayang Trust to support the expansion of the Hummingbird School, which has over 70 children from the predominantly tribal inhabitants on the island.

The Bank supports scholarships to enable women from economically weak backgrounds to access high quality higher education. The Axis Bank Scholarship program at Ashoka University, Haryana continued this year, where it provided scholarships to 10 female undergraduate students pursuing STEM-related disciplines at the University during the year, in addition to the continuing scholarships to the 10 female students from the previous year. During the year, the Bank initiated the Axis Bank Scholarship Program at Plaksha University, Punjab, providing scholarships to 16 students during the year from economically weaker backgrounds and from Tier 2/3 towns pursuing undergraduate degree programs at the university.

The Bank also continued to partner with the JSW Foundation to support the 'Museum of Solutions (MuSo)' in Mumbai. The Museum, scheduled to open its doors in fiscal 2023, aims to provide experiential learning beyond classrooms to children from all backgrounds and age groups.

The Bank's Financial Literacy and Financial Inclusion Program supports greater financial integration and opportunities for economically weaker sections in rural and urban India. The program is focused primarily on women, towards creating greater awareness on personal financial management, the importance of savings and insurance, and introduction to pertinent government schemes and banking channels. In the previous fiscal, the program had introduced a new module, 'Sachetana' to spread awareness among the participants on COVID-19-related safety and precautions. The Program reached 1.37 million participants in 21 States in fiscal 2022.

During the year, the Bank launched new programs under the theme of Environmental Sustainability in various parts of the



country. Under its broader ESG agenda, the Bank has taken a commitment of planting 2 million trees by 2027 in five states and has teamed up with experienced implementation partners. Additionally, the Bank is supporting a Miyawaki plantation of 25,000 trees at a pilot in the Mumbai region.

Additional details on the Bank's CSR governance, interventions and impact for the reporting year can be accessed in the Annual Report on CSR Activities which forms 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

Fiscal 2022 has been a noteworthy year for the Bank wherein it firmly placed Environmental, Social and Governance (ESG) principles into its long-term strategy, governance and actions aimed at delivering long-term value to all its stakeholders, mitigating emerging risks & leveraging opportunities.

Since fiscal 2021, the Bank's CSR Committee of the Board had been overseeing its ESG strategy and related performance. At the management level, the Bank had established the ESG Steering Committee comprising senior officials from the Bank, that continued to support the Board and champion ESG imperatives across the organization.

During the year, the Bank became the first in the Indian banking sector to constitute a standalone ESG Committee of the Board towards enabling a strategic vision and direction for ESG, enabling pan-Bank ESG integration and affording a 360-degree monitoring and review. The Committee has met thrice during the reporting year.

The Bank has adopted its purpose statement, 'Banking that leads to a more inclusive and equitable economy, thriving community and a healthier planet', and shall endeavour to align its decision-making and activities to its purpose.

Aligned to its purpose and with the approval of the ESG Committee, the Bank announced a series of ESG-aligned commitments in the public domain that are aimed at achieving the Sustainable Development Goals and supporting India's climate commitments under the Paris Agreement. The commitments, announced in September 2021, include – incremental positive impact financing commitments for retail and corporate businesses, scaling down exposure to carbon intensive sectors, proactive ESG risk mitigation, and commitments under diversity, equity and inclusion, environmental sustainability, and operational excellence. Progress against these commitments is being reported to the ESG Committee of the Board at its quarterly meetings.

During the year, the Bank has taken several steps and is establishing the necessary systems to promote Diversity, Equity & Inclusion (DEI) at the workplace. The Bank released its Diversity, Equity and Inclusion Policy and has formed a Diversity, Equity, Inclusion Council to drive forward the DEI agenda. The Bank has publicly committed to a target of reaching 30% female representation in its workforce by fiscal 2027. Notably, the Bank announced 'ComeAsYouAre', a Charter of policies and practices for employees and customers from the LGBTQIA+ community. Significantly, the Bank received the 'Great Place to Work' certification as a result of several strategic transformations undertaken during the year.

The Bank continues to be recognized for its ESG performance. In 2021, the Bank was on the prestigious FTSE4Good Index for the fourth consecutive year. Notably, it improved its performance at the Dow Jones Sustainability Indices, moving to the 78<sup>th</sup> percentile among banks globally and scored B- on the CDP. The Bank's ESG rating by MSCI ESG Research continued to be A. The Bank was recognized as an ESG leader at the 1<sup>st</sup> ESG India Leadership Awards, emerging as the sole national winner in two categories - Leadership in Social Impact and in Transparency.

In a significant achievement, the Bank raised India's first Sustainable AT1 Notes for US\$ 600 million through its GIFT City IBU. The order book for the issuance was oversubscribed 3.8 times ahead of its final pricing guidance announcement, and 47% of the final allocation was to ESG-focused investors. Prior to the issuance, the Bank released its Sustainable Financing Framework that articulates the Bank's strategy and processes for raising investments for financing sectors with positive social and/or environmental impact. The Framework has received a Second Party Opinion from Sustainalytics and clearly articulates the eligible 'green' and social' project categories. Under the framework, the Bank has also constituted an ESG Working Group that shall oversee the implementation of the Framework and guide the Bank's future sustainable issuances. The AT1 Notes issuance won the 'Best Sustainability-linked Bond – Financial Institution' at The Asset Country Awards 2021.

As a part of its ESG commitments, the Bank has also committed to expanding the coverage the Sustainable Lending Policy and Procedures (SLPP) that integrates environmental and social risk assessment into the Bank's corporate credit appraisal. The Policy has been renamed as the ESG Policy for Lending and updated with expanded coverage.

As an important milestone in its ESG journey, the Bank announced its partnership and intent to execute an umbrella guarantee framework with GuarantCo, guarantee arm of the Private Infrastructure Development Group which is jointly owned by the G7. The framework of USD 200 million with a programme size of USD 300 million will support accelerating the E-Mobility eco-system in India. The announcement was made during COP26 in Glasgow, as part of the UK Clean and Green Initiative.

## Management's Discussion and Analysis

The Bank also announced committing USD 150 million to strengthening India's healthcare sector by signing an MoU with IPE Global Limited for the 'Samridh' healthcare blended finance facility. Notably, the Bank also signed a partial guarantee facility agreement with ADB with an initial outlay of USD 150 million towards supporting supply chain financing in impact sectors, including priority sectors.

The Bank has taken several initiatives and made commitments towards enhancing operational efficiencies and reducing the carbon emissions from its operations. The Bank's head office in Mumbai has achieved the prestigious Platinum rating in IGBC's Green Existing Buildings rating system. The Bank's three large offices, two in Mumbai and one on Bengaluru, are now running entirely on renewable power, and the Bank has initiatives underway that cover all major operational aspects at its offices and branches.

### Human Resources

Employees remain the most critical driver in Bank's journey towards achieving its long term objectives. The Bank values and understands that it is the employees, those in the frontline and those supporting them that drive its promise of being 'Dil Se Open'. The Bank strives to keep the same promise towards its employees through the policies and processes at the organization.

Through the year, the Bank has continuously focused on building capabilities and capacity execution through a focused people strategy.

#### Prioritising employee well-being

As an organization that puts its employees first, the Bank initiated multiple efforts to ensure employees' health & wellbeing is taken care of during the unprecedented times. Employees could avail services like – booking a test, ambulance or hospitalization services, or consulting a doctor for any illness through the app. Multiple webinars with medical professionals were conducted through the year to educate employees on the onset of COVID, and even for other chronic illnesses.

The Bank put in place best in class telemedicine offerings including a proactive monitoring service where doctors reported back to the teams on employee health status. Employees were also offered pro-bono mental health helpline, vaccination camps, and reimbursement as it became available.

In the new ways of "virtual working", the Bank started various initiatives to ensure employees are able to maintain a healthy work-life balance. This included programs across the organization like – a silent hour in the afternoon, a 7up program indicating an end to the day, and WeekendYourWay – a campaign to stop work on the weekend.

#### An organization with a deeply rooted culture –

The Bank's culture is grounded in the five core values – Customer Centricity, Ethics, Teamwork, Transparency, and Ownership. 956 Axis Values Realizers are the ambassadors of Values, driving conversations and engagement through regular themed sessions.

The Bank also conducts an annual engagement survey "Values Voices", measuring the organization sentiment on the anchors of the framework and the same is presented to the Board and leadership as the "Values Scorecard".

Committed to a culture of continuous listening and feedback from employees, the Bank strives to benchmark itself against others in the industry by participating in best in class external surveys, with a mission to know & engage its people better. Last year, the Bank participated in multiple surveys where employees responded to various indices that make up their overall experience at Axis Bank like – brand, culture, supervisor, rewards, collaboration, senior leadership etc. The results provided insights on existing practises and suggestions on what more can be implemented to improve overall employee engagement. During the year, the Bank was recognised as a Great Place to Work® certified organization, with the Bank's CEO being recognized as one of India's Best Leaders in Times of Crisis 2021. The Bank is also listed as one of the Top 30 Employers in BFSI by Great Place to Work®. Additionally, the Bank won – Best Talent & Workforce Award in the Business Today – KPMG Best Banks annual survey.

Aligned to the values framework, the Bank's Axis Champions Award is an annual rewards & recognition event where employees share their stories on how they went beyond the call of duty to uphold the Axis values, and are recognized as part of a gala event.

#### Building a pipeline of talent

The Bank continues to hire from multiple sources to ensure a diverse mix of talent, both in terms of experienced professionals and fresh graduates.

The Bank's robust campus hiring programs provide a steady pipeline of talent for the organization. Axis AHEAD is our Tier 1 flagship management trainee program that provides cross-functional experience under the mentorship of senior leaders for one year, prior to placement in junior management roles. ABL is the Bank's program of hiring management graduates from Tier 2 B-schools. This year, the Bank launched a new program called – 'Aspire', which targets a new bucket of Tier 1.5 B-Schools. These institutes broadly cover the spectrum of newer IIMs and Department of Management Studies of established IITs. The hires from this program are deployed in key departments across the Bank, to build a predictable and saleable pipeline of bright talent.

Another cohort is Tier 1 & 2 Engineering institutes, which caters to talent with specialised technical skills. Other cadre programs that add to the Bank's pool of young talent include hiring from top design, law, and CA campuses. All campus hires undergo separate induction and engagement activities, in addition to the Bank's standard induction session. Various leadership sessions are organized through the year, to ensure an overall enriching experience for all campus hires.

Keeping in line with the One Axis philosophy, the central campus team also caters to all campus requirements of our subsidiaries.

### **Building capacity with our young leaders**

Last year, the Bank developed two distinctive talent management programs to identify employees with consistent high performance. The 'Ahead' Internal program offers hi-potential internal talent in the junior management cadre development and gives them an exposure which is at par with Tier-1 B-school hires in the AHEAD program. As part of the program, selected participants go through a structured induction program along with Tier-1 campus hires and multiple leader interactions. They are then given the option to choose a stint/role within or outside of their current department basis interest, aspiration and capability.

Another successful program with an aim to nurturing top talent was the launch of Astros - high-potential development program for mid-level leaders. A group of mid-level employees who had consistent performance ratings for the past two performance cycles, were invited to apply for the program. There were a total of 1,130 applicants out of which 120 employees were selected as the final cohort of the year through a rigorous process including online cognitive assessment, case-study based behavioral assessment and an internal leadership jury interview.

Both the programs were made available to Axis subsidiaries as well.

To ensure all employees are able to bring their best to work and live up to their full potential, the Bank has made significant investment in a 3 year Learning and Development Strategy, moving from episodic learning interventions to integrated journeys with milestones on employee learning and development. The Bank has multiple learning and development programs to ensure that its employees reach their highest potential & serve to the best of their abilities. For fiscal year 2022, average person-hours of training was 51.49 for males, 63.57 for females, and 54.61 person-hours for all employees overall. Out of all training given to employees, 62% of trainings were conducted online in the form of e-learning modules and remaining 38% were classroom-based training.

The Bank's internal job platform – Catalyst also provides mobility for employees seeking different and more challenging roles internally. In addition, the Bank monitors internal hiring rates with targets for senior roles to drive growth from within the organization.

### **Nurturing our leaders by creating a leadership ecosystem**

The Bank has its talent management process for leaders at the grade of Vice President and above that focuses on converting potential to performance by ensuring people are in flow. Learning journeys have been customized for senior leaders based on their identified areas of development.

As a part of the larger learning & development agenda, the Bank has introduced a series of structured bi-monthly mentoring conversations with an aim to generate new ways of thinking. It is designed as a mutual beneficial development conversation for both mentor and mentee. The program has helped the mentees with a deeper understanding of strategy and organization direction, while the learning from personal experiences of the mentors has led to greater autonomy. To benefit the Mentors, there are mentoring circles, which facilitates peer-to-peer learning and creates a platform wherein mentors share their experiences, challenges, narratives and possible solutions with each other and reassess their respective mentoring relationship for future sessions.

### **Diversity, Equity, and Inclusion**

The DE&I commitment was formalised during the year with the launch of the Diversity, Equity and Inclusion Policy and creation of a dedicated team. The Bank remains committed to having 30% women in the workforce by fiscal 2027, and has put in place a series of initiatives to make the D,E,&I efforts in Axis visible, relevant, and conducive to exist for every member of the Axis Bank team.

During the year, the Bank also launched #ComeAsYouAre – a charter of policies and practices within the LGBTQIA+ community. The policies carved out new and progressive initiatives for employees from the community, some of it in areas of- medical insurance, restroom accessibility, dress code policy, and attaining leave.

While recruiting new hires, the Bank made a conscious effort to write job descriptions in a way such that there are no unconscious biases built into them. Every role that is advertised has a mention of the prompt #ComeAsYouAre. Women, LGBTQIA+ and Persons with Disabilities (PwD) candidates of all ages are encouraged to apply. During the year, the Bank also undertook a new campaign- #HouseWorkIsWork towards providing career possibilities at Axis Bank and subsidiaries for those women who want to return to the workforce irrespective of the career breaks and their past experience. Additionally, the Bank has special programs like #SheWins, Women in Sales program, and Diversity In Technology, where the focus was on hiring women in these roles. This focused approach has led to a 24.7% hire rate for women up from 19% in the previous year.

The Bank continues to lay emphasis on Empowerment of young women leaders. WE Lead is the Bank's campus program for nurturing women leaders at middle management level. The Bank has partnered with 8 premier business schools for hiring women leaders across roles requiring new age skills like technology, digital, analytics, payments and product management. In fiscal 2022, the program recruited 42% of the total Tier 1 campus hires.

The Bank's signature DE&I awareness training program "Pause for Bias" helps employees rise beyond their inherent unconscious biases. The pause for bias training is a part of the induction program, and so far, the team has conducted 187 'Pause for Bias' sessions and have covered 36,941 employees across the Bank.

The Bank ensures conscious efforts towards PwD and other underrepresented communities as well. It engages larger audiences and potential candidates through its LinkedIn Live series, on #ComeAsYouAre, by highlighting diverse experiences at Axis Bank.

### Reshaping work and the workplace

Core to the strategy of the HR function is the aspiration of "Silent HR", where the Bank has created a single front end for all employee services on an app. This tech transformation journey aims to resolve and reduce employee queries, by having the organization available to them in the palm of their hand.

After successfully launching the strategic project on 'Future of Work' last year, presently 12,000 employees are part of the 'hybrid working' roster where they are required to visit office 2 to 3 times a week. 3,607 employees are part of the GIG-A-Anywhere program where employees can work from anywhere. Manager and employee feedback in this format of work has been tremendously positive.

### 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 continues to maintain its 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 6.8% share in the industry AUM, Axis Finance has grown its AUM at a 31% 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 2022, the Bank's domestic subsidiaries delivered strong performance with PAT of ₹1,195 crores up 44% Y-o-Y.

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 (44 transactions across IPO, QIPs, OFS and Rights Issue). Axis Capital's earning increased by 20% Y-o-Y and contributed 18% 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 12.8 million client folios as at end of 31 March, 2022 reported strong growth in net profits by 47%. The company manages 62 mutual fund schemes with a closing AUM of ₹253,772 crores as compared to closing AUM of ₹1,90,841 crores as on 31 March, 2021. Axis AMC's earnings grew by 47% Y-o-Y to ₹357 crores and contributed 31% to the total earnings of the subsidiaries.

Axis Securities, a brokerage arm become the third largest player based on customer base. The retail brokerage firm reported 15% Y-o-Y growth in cumulative client base to 4.17 million. Axis Securities' earnings grew 40% Y-o-Y as compared to previous period, and contributed 20% to total subsidiaries' earnings. The subsidiary achieved a trading volume of ₹6,282,797 crores thereby registering a growth of 74% in fiscal 2022.

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 72% Y-o-Y and contributed 32% to total subsidiaries' earnings. Axis Finance remains well capitalized with Capital Adequacy Ratio of 20%. Its asset quality metrics remain stable with net NPA declining 151 bps Y-o-Y to 0.46% as of 31 March, 2022.

Freecharge, one of the India's leading digital payment companies has a current user base of 100.4 million, GMV of ₹7,863 crores and 78.6 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' has set a new benchmark by facilitating financing of

MSME invoices of more than ₹27,000 crores . It currently has over 14,400 participants on the platform and has e-discounted nearly 10 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.