

MD & CEO'S STATEMENT

Building a Customer Obsessed, Resilient Institution



Amitabh Chaudhry
Managing Director and
Chief Executive Officer

Dear Shareholders,

Fiscal 2024 was a momentous year for us in many ways. As we celebrated the 30th year of unwavering '*dil se open*' service to our customers, we had yet another strong year of performance built on our GPS strategy. We are now consistently surpassing our aspirational return ratios with better quality and consistency of earnings, while maintaining a strong balance sheet position. We have built new businesses and capabilities, invested in long-term distinctiveness drivers, and collectively worked towards building a resilient 'all-weather franchise'.

During the year, we maintained the growth trajectory across our focus business segments including MSME, Bharat and Retail assets. We retained leadership in specific businesses like Payments and Wealth Management; and improved the quality of our deposit franchise. We scaled up the branch network as we crossed the milestone of 5,000 branches and opened a record 475 branches in fiscal 2024. Our flagship digital properties, '*open*' and '*NEO*', continued to lead the market in the Retail and Wholesale segments. We also improved our

NPS (Net Promoter Score) ranking to #2 among large peer banks as per the benchmarking study undertaken by independent agency Kantar for Axis Bank.

Our consolidated ROE for fiscal 2024 was 19.29%, led by all-round outperformance across NIMs, fees and asset quality metrics. We delivered growth of 16% in operating profit, led by 16% growth in net interest income, 5 bps y-o-y improvement in NIMs to 4.07%, and 28% growth in fee income. These metrics provide us confidence



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to carry this momentum ahead as we remain focused on the three core areas of execution.

- » Becoming a resilient, all-weather Franchise
- » Creating multiplicative forces to build competitive advantage
- » Building for the future with a relentless focus on driving distinctiveness

Becoming a Resilient, All-weather Franchise

Our current position of strength is the result of consistent execution rigour and investments made in building blocks across our people, processes, technology, and several multiplicative projects over the past five years. This has helped us to not only surpass the GPS commitments we had made but also deliver distinctiveness and differentiation across our focus business segments as we continue to build new sources of competitive advantage.

Lifted the Growth Trajectory across Business Segments

Our liability franchise has seen marked improvement in quality and growth trajectory over the last couple of years, led by several strategic initiatives across the Bank. Our granular LCR accretive deposits from retail and small business segments grew 18% y-o-y, with LCR outflow rates improving by 500 bps in the last two years.

Our micro market focused deposit mobilisation strategy, leveraging the various business segments of the Bank, continues to progress well. During the year, we continued to focus

on sweating the existing infrastructure and improving productivity across distribution channels, aided by multiple transformation initiatives like Project 'Siddhi', Branch of the Future and Project Triumph, as well as the institutionalisation of daily operating rigour and rhythm. At the same time, we opened close to 500 new banking outlets in fiscal 2024, which has been the highest ever for a particular year in the Bank's history. The premiumisation of the franchise is reflected in the 50% y-o-y growth in Burgundy assets under management. Our initiatives to re-orient the processes and strengthen the Corporate Salary proposition, and drive higher CA growth through digital Wholesale Bank, too, have aided the deposit growth momentum.

In a deposit-constrained environment, the focus has been on driving growth across our business segments while following the capital-efficient RAROC model. Our well-diversified retail advances book grew by 20%, with higher growth in focus segments like Rural, Small Business Banking, Credit Cards and Personal Loans, which together grew by 31% y-o-y, aided by several large transformation and technology

initiatives. We also strengthened our market share in the Credit Cards and Payments businesses, led by our innovative product propositions and partnerships-led Known to Bank (KTB) strategy.

On the Wholesale side, our strategic focus has also been to deliver relationship RAROC focused growth, leveraging our 'One Axis' and digital capabilities to provide holistic banking solutions to corporates across their capital structure. The combined portfolio of our focus segments in Wholesale (i.e. Mid-corporate and SME loans) has doubled in the last three years, with ~1,300 bps improvement in contribution to the overall Wholesale book, thereby bringing higher granularity and aiding the PSL agenda of the Bank. We strengthened our leadership positioning across products with market share of ~35% in IMPS, 30% in NEFT, 20% in the Bharat Bill Payment ecosystem, and 11% in foreign LC. We won significant mandates across the transaction banking segments led by our technology-led solutions that resulted in the transaction banking, forex and trade-related fees contributing 77% to overall Wholesale Banking fees.

Delivered Aspirational Return Ratios with Better Quality and Consistency of Earnings

In the last few years, we have fundamentally improved net interest margins led by improvement in balance sheet mix, reduction in proportion of low yielding RIDF bonds, and improvement in the composition of liabilities. The fee profile has been best-in-class in the industry, with granular fee comprising 93% of overall



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fee, and the ratio of granular fee to average assets at 1.35%, up 17 bps y-o-y. Further, we have delivered growth and profitability without compromising on the risk to deliver earnings that are more predictable and consistent. This is reflected in our RWA to total assets trend, which has seen improvement as compared to the past, barring periods of risk weight changes.

Core Strengthened with Strong Balance Sheet Position and Next Generation Tech Architecture

Our balance sheet remains resilient with a healthy capital position and top-tier asset quality metrics. The strength of our balance sheet is reflected in our provision coverage ratio of 79%, with significant additional non-NPA provisioning buffers of over ₹12,100 crores, which translated to a standard asset coverage ratio of 1.26%. The Bank's asset quality too remains best-in-class with its net NPA of 0.31% being the lowest among large peer banks.

The Bank's healthy capital position with CET 1 ratio of 13.74%, led by net CET-1 organic accretion of 4 bps in fiscal 2024 and an additional 41

bps of capital cushion on account of provision buffers, ensures that we are well capitalised to drive our growth ambitions.

In a rapidly evolving financial landscape, technology and product innovation, with 'openness and agility' to adapt to evolving customer needs, remain critical to achieving success. We have been consistently investing in the entire technology backbone, data analytics, digital and tech teams to build critical capabilities and best-in-class resilience across our business operations.

We have been a leader in cloud adoption with our multi cloud-first strategy and cloud-native micro services-based architecture, which have helped us deploy over 100 initiatives on the cloud. We have accelerated delivery across businesses with the creation of nearly 3,500 robotic automated processes. We continue to leverage our strength in data analytics to further drive distinctiveness in customer experience through our 17,000+ hyper-personalised nudges, while aiding lending decisions backed by 100+ alternate data features and curated database programmes.

We have taken significant strides in the adoption of Gen-AI by rolling out Microsoft Copilot across our employees. Our Gen-AI conversational chatbot, 'Adi', has empowered frontline employees to enhance customer service efficiency and offer personalised banking experiences. This year, we embarked on further strengthening our enterprise class systems of engagement with Salesforce journey that will aid us in making the systems more scalable and future ready.

Among the various awards won by the Bank during the year are NASSCOM-DSCI Annual Excellence Award 2023 for 'Best Security Practices in Banking Sector' and 'Security Leader of the Year', ASSOCHAM Annual Banking & Financial Sector Lending Award for 'Best Risk and Cyber Security Initiatives', ETCIO Award for 'Excellence in Technology implementation - Business Resilience Impact' and others. These further validated our leadership position in data analytics, risk management and new-age technologies.

Creating Multiplicative Forces to Build Competitive Advantage

Key Transformation Projects and Multiple Partnerships to Augment New Customer Acquisitions

The multiple large-scale transformation projects that we have undertaken in the last few years across the Bank have started yielding positive outcomes across key businesses. On the Retail Assets side, we delivered higher growth in our identified focus segments, like Credit Cards, Personal Loans and SBB, while staying well within our risk guard rails, aided by an overall improvement in process efficiencies and productivity across our distribution channels. On the Payments side, the projects 'Zenith' and 'Kanban' have helped to improve our market positioning in cards and merchant acquiring businesses.

'Siddhi', our employee super app that has been built on a modern tech stack with cloud native development, has been rolled out to 80% of on-roll employees. It covers 24 product and service journeys, thereby empowering our front-end colleagues



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to have deeper and more meaningful customer engagement. As part of our 'Personalisation' project, we have over 17,000 nudge variants that have resulted in better digital product and self-service journeys for customers, thereby aiding customer acquisition significantly.

Our initiative on 'Universal Underwriting', where our goal is to provide credit access to every eligible Indian leveraging alternate data, continues to scale up well. We now have a stamped base of ~19 crores customers out of an identified lendable population of 76 crores customers.

We continue to pursue strategic partnerships as an important lever to enhance our customer acquisition opportunities. We have 100+ partnerships across segments and businesses, led by our strong technological capabilities and wide distribution reach. We also have 460+ partnership-based APIs across businesses, with 410+ of them on our API developer portal, which has further made it easy for partners from different segments to connect with us.

Citibank Consumer Business Integration Remains on Track

The Citi team is now well integrated, with senior colleagues taking on larger responsibilities at Axis Bank. The customers, too, have seamlessly transitioned to the broader platform and have benefitted from the wider suite of product offerings and our wide distribution reach.

The acquired business portfolio, too, has trended better than our internal estimates, with deposits being largely stable while there has been strong

growth in retail assets and wealth management. We are also witnessing synergy benefits coming through with improvements in productivity, cross-sell metrics and best practices transfer across the organisation. With the full integration expected to be completed in the first half of fiscal 2025, we are well on track to create the gold standard in the retail space.

Well Positioned to Play all the Socio-economic Megatrends of the Next Decade and Beyond

Our 'One Axis' strategy, which encompasses various businesses within the Bank working together along with our subsidiaries, continues to play out well. The domestic subsidiaries together delivered total profits of ₹1,591 crores and contributed 43 bps to the Bank's consolidated ROE.

Axis Finance, our full-service customer-focused NBFC franchise, delivered 28% y-o-y growth in net profit with ROE of 16.8%, healthy capital adequacy ratio of over 19% and superior asset quality.

Axis AMC delivered PAT of ₹414 crores, while our retail brokerage subsidiary delivered PAT growth of 48% y-o-y. Axis Capital continued to maintain its dominance in the equity capital markets. Our digital invoice discounting platform, 'Invoicemart', continues to set new benchmarks as it facilitated financing of MSME invoices of more than ₹1 lakh crores since its inception in 2017.

Max Life Insurance, India's fourth-largest insurance company, where we are a co-promoter, continues to be among the fastest-growing life insurers. It delivered 19% y-o-y growth in new business premiums (on annual premium equivalent basis) with new business margins of 26.5% in fiscal 2024. We have recently increased our collective stake in Max Life to 19.02% by infusing capital of ₹1,612 crores. With significant long-term growth aspects in the insurance sector, we believe that Max Life offers enhanced value creation opportunities for us.

The opportunity for growth in India continues to be huge, led by some of the megatrends like rising affluent population, consumption boom, financialisation of savings, surge in manufacturing SME and Atmanirbhar businesses, robust digital public infrastructure and innovation. We believe that our strategic focus on 'One Axis', along with our readiness to partner with innovative fintech ventures, has created a dynamic ecosystem where we are well placed to play all these socio-economic megatrends of the next decade and beyond. The multiplicative forces that we have built through the unification of One Axis, 100+ partnerships and new age tech platforms give us the 'right to win'.



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Building for the Future

We have tried to be ahead of the curve towards building a Bank for the future with deep investment of management time and resources in our chosen areas of distinctiveness, namely, Digital, Bharat Banking and Customer Obsession. We have started seeing early results of these investments, even as we remain focused to further drive scalability and productivity across the organisation.

Digital Continues to be an Area of Relentless Focus

Fiscal 2024 was a significant year for our digital banking platform, *'open'* by Axis Bank, as we made strong progress towards our strategic objective of becoming a digital consumer lending powerhouse. *'open'* by Axis Bank now constitutes nearly 6% of the Bank's overall business, with 33% y-o-y increase in deposits and 74% y-o-y increase in loans.

'open' by Axis Bank continues to be ranked among the world's highest-rated mobile banking apps at scale, with a monthly active user base of ~14 million. We have built outstanding personalisation capabilities with

10,000+ hyper-personalised nudges developed across 2,500+ customer features as part of *'open'* by Axis Bank mobile app. We strengthened the proposition by launching innovative features and products like One View, Personal Finance Management, digital savings account 'Amaze' and Digital US dollar FD journeys for NRI customers at the IFSC Banking Unit in GIFT City, Gujarat among several others.

We have taken an early leadership position in the adoption and leveraging of India's digital stack and Account Aggregator (AA) framework to offer instant digital consumer loans and credit cards. In fiscal 2024, we launched 5-minute digital end-to-end KCC loans and digital business loans for MSMEs in partnership with RBI Innovation Hub.

We also made strong progress towards our aspiration of becoming India's best Digital Wholesale Bank with the roll-out of our digital properties – 'NEO for Business' and 'NEO for Corporates'. During the year, we successfully executed several large client implementations, ranging from large payment aggregators to industrial clients powered by our industry-leading suite of Trade and Cash APIs.

Driving Distinctiveness through 'SPARSH', our Customer Obsession Project and Bharat Banking

We continue to invest in technologies to empower our employees to increase their productivity and drive customer delight. Our multiyear distinctiveness programme, 'SPARSH', continues to progress in the right direction as

we strive to become India's most customer obsessed bank. In the last two years, we have improved our NPS (Net Promoter Score) ranking from 4th to 2nd among large peer banks as per the benchmarking study undertaken by independent agency Kantar for Axis Bank. This has resulted in deepening relationship and transaction intensity with our customers.

Our bet on 'Bharat' continues to progress well, demonstrated through nearly 1.7x incremental addition to our rural balance sheet in the last two years as compared to that in the previous four years. In fiscal 2024, the overall disbursements sourced by Bharat Banking were up 30% y-o-y, rural advances were up 30% y-o-y and deposits from Bharat branches were up 12%, thereby aiding the PSL and profitability metrics.

We scaled up the distribution footprint in this segment to 2,480+ branches, complemented by a large CSC (Common Service Centres) network of 64,550+ VLEs (Village Level Entrepreneurs) and 80+ partnerships with marquee rural-focused consumer and fintech players across the ecosystem.

The growth has been across all the major product lines with better RAROC, while contributing to the Bank's self-sufficiency in PSL at the overall level and aiding profitability metrics. We are building a pioneering 'end-to-end omnichannel and digital' delivery model for the RuSu markets using the Salesforce platform. We believe that this will help us scale sustainably over the next three years and further create distinctiveness in Bharat markets.



Our Efforts to Fortify Employee Proposition and ESG Aligned Commitments Continue to Receive External Recognition

In the last few years, we have built a diverse, inclusive, and agile workforce backed by a high-performance culture and winning mindset. In line with our credo of '*dil se open*' we remain committed to enhancing the career proposition for our employees that will allow them to participate in the Bank's continued growth and success. During the year, we invested significant amount of time in employee learning programmes and strengthened the talent pipeline through internal talent programmes. We also launched **Project Thrive**, an internal talent marketplace for employees to grow their careers by taking on new responsibilities and challenges through internal career movements.

Our continued efforts to fortify our employee proposition are evident in our high advocacy scores, and multiple external recognitions. We have been recognised as a Kincentric India Best Employer for the second year in a row. We are a certified Great Place to Work and among the Top 25 Companies in BFSI, and ranked #1 in Fortune India's Future Ready Workplaces among other notable recognitions.

The community continues to be a critical stakeholder for us. We continue to demonstrate our steadfast commitment to align ourselves to our purpose, that is 'banking that leads to an equitable and inclusive economy, a thriving community, and a healthier planet'. The Axis Bank Foundation, under its Sustainable Livelihoods programme, crossed the significant

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milestone of supporting 1.7 million households as part of its mission to reach 2 million rural households by the year 2025.

We also made a strong progress in our ESG aligned commitments that we had published in September 2021. We have already met our target of incremental financing of ₹30,000 crores under Wholesale Banking to sectors with positive social and environmental outcomes, much ahead of the stated timeline. On the Retail lending side as well, our incremental EV loans for the year stood at 5.53% of the overall two-wheeler loan portfolio, and incremental disbursements since September 2021 under Asha home loans for affordable housing crossed ₹10,000 crores.

The progress made in our ESG commitments continue to reflect in the Bank's steady performance at key ESG assessment and recognition

platforms. The Bank featured on the prestigious FTSE4Good Index for the seventh consecutive year in 2023, while improving its ratings across platforms like S&P Dow Jones and MSCI.

We, at Axis Bank, remain upbeat on the huge growth opportunities in India. We believe large banks with stronger balance sheets, innovative and holistic product propositions, robust technological infrastructure, and digital capabilities will deliver better customer experience and will continue to gain higher market share.

We are rightly positioned to capture the favourable domestic growth trends across our focused business segments in Retail, SME and Bharat. Further, our leadership position across Digital and the Payments space, where we continue to launch innovative solutions, provides us with the agility and synergies to win across business segments.

In the last five years, we have transformed the Bank to a stronger, more consistent, and sustainable franchise. The significant strides made across our customer obsession journey and new-age technologies further give us the confidence to improve our service and performance levels for all our internal and external stakeholders. We remain focused towards building 'an all-weather institution' that will stand the test of time.

Warm regards,

Amitabh Chaudhry

Managing Director and
Chief Executive Officer