

DIRECTORS' REPORT

The Board of Directors have the pleasure of presenting the 24th Annual Report of the Bank together with the Audited Statement of Accounts, Auditors' Report and the Report on the business and operations of the Bank, for the financial year ended 31st March 2018.

FINANCIAL PERFORMANCE

The financial highlights for the year under review, are presented below:

Particulars	(₹ in crore)		
	2017-18 ▽	2016-17	Growth
Deposits	453,622.72	414,378.79	9.47%
• Savings Bank Deposits	148,202.05	126,048.29	17.58%
• Current Account Deposits	95,649.55	87,001.75	9.94%
Advances	439,650.31	373,069.35	17.85%
• Retail Advances	206,464.62	167,992.95	22.90%
• Non-retail Advances	233,185.69	205,076.40	13.71%
Total Assets/Liabilities	691,329.58	601,467.67	14.94%
Net Interest Income	18,617.73	18,093.12	2.90%
Other Income	10,967.09	11,691.31	(6.91%)
• Fee Income	8,866.97	7,882.01	12.50%
• Trading Profit ⁽¹⁾	1,616.76	3,400.34	(52.45%)
• Misc. Income	483.36	408.96	18.19%
Operating Expenses	13,990.34	12,199.91	14.68%
Operating Profit	15,594.48	17,584.52	(11.32%)
Provision for Tax	(154.11)	1,788.28	-
Other Provisions and Write offs	15,472.91	12,116.96	27.70%
Net Profit	275.68	3,679.28	(92.51%)
Balance in Profit and Loss account brought forward from previous year	24,448.33	23,766.46	-
Amount Available For Appropriation	24,724.01	27,445.74	-
Appropriations			
Transfer to Statutory Reserve	68.92	919.82	(92.51%)
Transfer (from)/to Investment Reserve	103.49	(87.16)	-
Transfer to Capital Reserve	101.65	755.57	(86.55%)
Transfer to Reserve Fund	1.62	1.75	(7.43%)
Dividend paid (includes tax on dividend)	1,405.28	1,407.43	(0.15%)
Surplus carried over to Balance Sheet	23,043.05	24,448.33	-

⁽¹⁾ Excluding Merchant Exchange Profit

KEY PERFORMANCE INDICATORS

Key Performance Indicators	2017-18	
	▽	2016-17
Interest Income as a percentage of working funds*	7.15%	7.88%
Non-interest Income as a percentage of working funds*	1.71%	2.07%
Net Interest Margin	3.44%	3.67%
Return on Average Net Worth	0.53%	7.22%
Operating Profit as a percentage of working funds*	2.43%	3.11%
Return on Average Assets	0.04%	0.65%
Profit per Employee**	₹0.47 lakhs	₹6.68 lakhs
Business (Deposits less inter-bank deposits + Advances) per employee**	₹14.84 crore	₹14.00 crore
Net non-performing assets as a percentage of net customer assets***	3.40%	2.11%

* Working funds represent average total assets

** Productivity ratios are based on average number of employees for the year

*** Customer assets include advances and credit substitutes

Previous year figures have been re-grouped wherever necessary



CAPITAL & RESERVES

During the year, the Bank raised additional equity capital through preferential allotment of 16,53,28,892 equity shares of ₹2 each of the Bank at a price of ₹525.00 per equity share. Consequently, the total issued and paid-up equity share capital of the Bank increased by ₹33.07 crore and the Reserves of the Bank increased by ₹8,620.95 crore after charging of issue related expenses.

Further, the Bank also issued, 4,53,57,385 convertible warrants, convertible into 4,53,57,385 equity shares of ₹ 2 each of the Bank at a price of ₹565.00 per warrant on a preferential basis. The said convertible warrants are exercisable within a period of 18 months from the date of its allotment. The said equity shares and convertible warrants were allotted to a consortium of investors (Bain Capital, Life Insurance Corporation of India and other marquee investors).

During the year, the Bank also allotted 61,73,935 equity shares of ₹2 each of the Bank pursuant to exercise of options under the various Employee Stock Option Scheme(s) of the Bank by some of its Whole Time Directors / Employees and that of its subsidiary companies.

Pursuant to the said allotments, the total issued and paid-up equity share capital of the Bank, as on 31st March 2018 increased to ₹513.31 crore, as compared to ₹479.01 crore, as on 31st March 2017.

The category wise shareholding pattern of the Bank, as on 31st March 2018, was as under:

Sr. No.	Category / Shareholder	No. of Shares held	% of paid-up Capital
PROMOTERS			
1	Life Insurance Corporation of India (LIC)	34,94,51,108	13.62
2	Administrator of the Specified Undertaking of the Unit Trust of India (SUUTI)	25,32,70,690	9.87
3	General Insurance Corporation of India	3,72,50,000	1.45
4	The New India Assurance Company Limited	2,54,03,585	0.99
5	National Insurance Company Limited	21,34,681	0.08
6	The Oriental Insurance Company Limited	63,30,020	0.25
7	United India Insurance Company Limited	26,26,337	0.10
FOREIGN INVESTORS			
8	Overseas Investors (including FII/OCBs/NRIs)	1,31,64,80,211	51.29
9	Foreign Direct Investment (GDR)	11,53,42,680	4.49
DOMESTIC FINANCIAL INSTITUTIONS			
10	Financial Institutions / Mutual Funds / Banks / NBFC	24,27,74,995	9.46
11	Others	21,54,74,629	8.40
	Total	2,56,65,38,936	100.00

The said equity shares of the Bank are listed on National Stock Exchange of India Limited (NSE) and BSE Limited (BSE). The Unsecured, Redeemable, Non-Convertible, Subordinated, Perpetual Debentures issued by the Bank on a private placement basis are listed on NSE and BSE. The Bonds issued by the Bank under the MTN programme are listed on Singapore Stock Exchange and the Green Bonds issued by the Bank are listed on London Stock Exchange. The Global Depository Receipts (GDR) issued by the Bank are listed on London Stock Exchange.

The Bank has paid the listing fees to the said Stock Exchanges for the financial year 2017-18.

DIVIDEND

In terms of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) the Bank has formulated and adopted a Dividend Distribution Policy with the objective of providing clarity to its stakeholders on the profit distribution strategies of the Bank. The said Policy has been hosted on the website of the Bank at <https://www.axisbank.com/shareholders-corner/corporate-governance/Compliance-Report>.

The Diluted Earnings Per Share (EPS) of the Bank for the financial year 2017-18 stood at ₹1.12 per equity share of ₹2/- each as compared to ₹15.34 per equity share of ₹2/- each in the previous financial year. After making mandatory appropriations to Statutory Reserve, Investment Reserve, Reserve Fund and Capital Reserve, no profits are available for distribution as dividend for the financial

year ended 31st March 2018. Accordingly, no dividend has been recommended by the Board of Directors of the Bank for the financial year ended 31st March 2018.

CLOSURE OF SHARE TRANSFER BOOKS

The Register of Members and the Share Transfer Books of the Bank will be closed from Saturday, 2nd June 2018 to Wednesday, 20th June 2018 (both days inclusive) for the purpose of the 24th Annual General Meeting of the Shareholders of the Bank to be held on 20th June 2018.

RATINGS OF VARIOUS DEBT INSTRUMENTS

The Unsecured Redeemable Non-Convertible Subordinated Debentures issued by the Bank, on a private placement basis, during the financial year 2017-18, were rated "CRISIL AAA/Stable" by CRISIL Ltd, "ICRA AAA hyb" by ICRA Limited and "IND AAA" by India Ratings and Research Private Limited.

The Unsecured, Subordinated, Perpetual, Additional Tier 1, Basel III Compliant Non-Convertible Debentures issued by the Bank on a private placement basis, during the financial year 2017-18, were rated "CRISIL AA+/Stable" by CRISIL Ltd, "ICRA AA+ (hyb)" by ICRA Limited and "IND AA+" by India Ratings & Research Private Ltd.

The Bonds issued by the Bank under the MTN programme on a private placement basis, during the financial year 2017-18, were rated "Baa3" by Moodys, "BBB-" by S&P and Fitch.

BOARD OF DIRECTORS

During the year, the following changes took place in the composition of the Board of Directors of the Bank:

Shri V. R. Kaundinya ceased to hold office as an Independent Director of the Bank, with effect from the close of business hours on Wednesday, 11th October 2017, upon completion of the maximum permissible tenure of 8 continuous years, under Section 10A (2A) of the Banking Regulation Act, 1949. The Board acknowledges the invaluable contributions rendered by Shri V. R. Kaundinya during his tenure as an Independent Director of the Bank and places on record its deep appreciation for the insightful perspectives and suggestions provided by him at the meetings of the Board/Committees.

Shri Stephen Pagliuca (Nominee of entities affiliated to BAIN Capital) was appointed as an Additional Non-Executive (Nominee) Director of the Bank, for a period of 4 consecutive years, with effect from 19th December 2017, subject to approval of the Shareholders of the Bank. Shri Stephen Pagliuca shall not be liable to retire by rotation during the said period.

The current term of Smt. Shikha Sharma, Managing Director & CEO of the Bank is due to expire on 31st May 2018. The Board of Directors at its meeting held on 7th December 2017 had re-appointed Smt. Shikha Sharma as the Managing Director & CEO of the Bank for a further period of three years w.e.f. 1st June 2018. At the meeting of the Board of Directors held on 9th April 2018, Smt. Shikha Sharma requested the Board that the period of her re-appointment as the Managing Director & CEO of the Bank be revised from 1st June 2018 up to 31st December 2018. The Board considered her request and approved her re-appointment as the Managing Director & CEO of the Bank from 1st June 2018 up to 31st December 2018 (both days inclusive) and the terms and conditions relating to the said re-appointment, including remuneration, subject to the approval of the RBI and the Shareholders of the Bank, which would also enable the Bank to manage the transition period and ensure orderly succession for the said post. The RBI has granted its approval to the said re-appointment and the terms and conditions, including remuneration thereof.

During the year, no other changes took place in the composition of the Board of Directors of the Bank. The composition of the Board of Directors of the Bank is in compliance with the applicable norms.

SELECTION AND APPOINTMENT OF DIRECTORS

The selection and appointment of Directors of the Bank is done in accordance with the relevant provisions of the Companies Act, 2013, the relevant Rules made thereunder, the Banking Regulation Act, 1949, the Guidelines issued by the RBI and the relevant provisions of the Listing Regulations relating to Corporate Governance.

The Bank has a formal succession planning process in place, pursuant to which it periodically reviews its in-house talent across all levels and benchmarks it with the talent available in the banking industry. In terms of the succession planning/ talent review process, the Bank proactively takes steps to review the existing talent at the senior management level of the Bank and also engages the services of an external consultant to assess the suitability of potential candidates both from inside and outside the Bank taking into account the contemporary skills sets required for the said post and their ability to manage challenges faced by the Bank.

The Bank adheres to the process and methodology prescribed by the RBI in respect of 'Fit & Proper' criteria as applicable to Private Sector Banks, signing of deed of covenants which binds the Directors to discharge their responsibilities to the best of their abilities, individually and collectively in order to be eligible to be appointed as a Director of the Bank. The prescribed declarations given by the Directors other than that of the Members of the Nomination & Remuneration Committee (NRC) are placed before the NRC and the declarations



given by the Members of the NRC are placed before the Board, for its review and noting. The said declarations are obtained from all the Directors on an annual basis and also at the time of their appointment / re-appointment, in compliance with the said laws. An assessment on whether the Directors fulfil the said criteria is also carried out by the NRC and the Board on an annual basis, before considering their candidature for re-appointment.

The NRC also reviews the structure, size, composition of the Board, the regional and industry experience, track record, expertise and other relevant information and documents of the Directors before making appropriate recommendations to the Board with regard to their appointment, re-appointment and remuneration designed to enhance the Board's effectiveness.

The NRC on an ongoing basis also identifies potential candidates from diverse backgrounds including but not limited to accountancy, agriculture and rural economy, banking, co-operation, economics, finance, law, small-scale industry, information technology, core industries, infrastructure sector, payment and settlement systems, human resource, risk management and business management, thus providing the Board with members who have special knowledge, practical experience and diverse set of skills, who could serve the diverse business interests of the Bank.

DECLARATION OF INDEPENDENCE

All the Independent Directors of the Bank have given their respective declarations stating that they meet the criteria prescribed for independence under the applicable laws and in the opinion of the Board, all the Independent Directors of the Bank meet the said criteria.

KEY MANAGERIAL PERSONNEL

Smt. Shikha Sharma, Managing Director & CEO, Shri Jairam Sridharan, Chief Financial Officer and Shri Girish V. Koliyote, Company Secretary are the Key Managerial Personnel of the Bank, in terms of Section 2(51) read with Section 203(1) of the Companies Act, 2013.

During the year, there were no changes in the composition of the Key Managerial Personnel of the Bank.

BOARD PERFORMANCE EVALUATION

The Companies Act, 2013 and the Listing Regulations relating to Corporate Governance contains provisions on evaluation of the performance of the Board as a whole, Individual Directors including Independent Directors, Non-Independent Directors, Chairperson and the Board Committees.

The Bank had engaged the services of an external consultant to help it conduct an impartial and independent Board performance evaluation, as aforesaid. On the basis of their findings, a process of evaluation was recommended to the NRC for adoption. The manner in which the evaluation has been conducted is explained in the Report on Corporate Governance, which forms part of this report.

MEETINGS

The schedule of the meetings of the Board and the Board Committees for the ensuing financial year is circulated in advance to the Members of the Board, for their consideration and approval. During the year, 9 meetings of the Board of Directors of the Bank were held and the gap between the said meetings did not exceed the limit of 120 days, as prescribed under the relevant provisions of the Companies Act, 2013, the relevant Rules made thereunder and the Listing Regulations relating to Corporate Governance.

AUDIT COMMITTEE

The composition, role and functions of the Audit Committee of the Board of Directors of the Bank is disclosed in the Report on Corporate Governance, which forms part of this report.

REMUNERATION POLICY

The Bank has formulated and adopted a Comprehensive Remuneration Policy for its Directors, Key Managerial Personnel and other Employees, in terms of the relevant provisions of Section 178 of the Companies Act, 2013, the relevant Rules made thereunder and the Listing Regulations relating to Corporate Governance. The details of the said Remuneration Policy have been disclosed in the Report on Corporate Governance, which forms part of this report. The said Policy has been hosted on the website of the Bank at <https://www.axisbank.com/shareholders-corner/corporate-governance/Compliance-Report>.

WHISTLE BLOWER POLICY AND VIGIL MECHANISM

The details of the Whistle Blower Policy and Vigil Mechanism have been disclosed in the Report on Corporate Governance, which forms part of this report.

SUBSIDIARIES

As on 31st March 2018, the Bank has the following eleven unlisted subsidiary companies and one step down subsidiary;

- i) Axis Asset Management Company Ltd. undertakes the activities of managing the mutual fund business.
- ii) Axis Bank UK Ltd. is the banking subsidiary of the Bank in the United Kingdom and undertakes the activities of banking.
- iii) Axis Capital Ltd. provides services relating to investment banking, equity capital markets, institutional stock broking, mergers and acquisition advisory, etc.
- iv) Axis Finance Ltd. is an NBFC and carries on the activities of loan against shares, margin funding, IPO financing, etc.
- v) Axis Mutual Fund Trustee Ltd. acts as the trustee for the mutual fund business.
- vi) Axis Private Equity Ltd. primarily carries on the activities of managing equity investments and provides venture capital support to businesses.
- vii) Axis Securities Ltd. is primarily in the business of marketing of credit cards and retail asset products and also provides retail broking services.
- viii) Axis Trustee Services Ltd. is engaged in trusteeship activities, acting as debenture trustee and as trustee to various securitisation trusts.
- ix) A.TREDS Ltd. is engaged in the business of discounting trade receivables.
- x) Freecharge Payment Technologies Private Ltd. which was acquired on 6th October 2017 is in the business of providing digital payments services through web & mobile-based platforms and payment gateways.
- xi) Accelyst Solutions Private Ltd. which was acquired on 6th October 2017 is in the business of providing digital payments services through web- & mobile-based platforms.
- xii) Axis Capital USA, LLC. is a wholly owned subsidiary of Axis Capital Limited incorporated in USA and provides financial services relating to equity capital market, institutional stock broking to institutional investors in USA.

During the Financial Year 2017-18, Axis Securities Europe Ltd. engaged in the business of financial advisory services was wound up with effect from 16th May 2017.

During the year, the Bank acquired 100% equity capital of Accelyst Solutions Private Ltd. and Freecharge Payment Technologies Private Ltd. Both the companies have become wholly owned subsidiaries of the Bank. Freecharge Payment Technologies Private Ltd. is engaged in the business of operating payment system for semi-closed prepaid payment instruments and gift vouchers under the license issued by the Reserve Bank of India, card processing services, payment aggregation services, merchant acquisition services and payment support services. Accelyst Solutions Private Ltd. is engaged in the business of providing and facilitating online recharge / bill payment / coupon services, marketing platform for third parties, distribution of mutual funds and insurance products through the mobile application /website / mobile site.

During the year, Axis Capital Ltd. incorporated Axis Capital USA, LLC on 2nd August 2017, as its wholly owned subsidiary in USA to provide financial services relating to equity capital market, institution stock broking to institutional investors in USA. It will be operational after completion of registration formalities with Financial Industry Regulatory Authority, Inc. (FINRA) and Securities and Exchange Commission, USA.

In accordance with the provisions of Section 129(3) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, as amended, the Bank has prepared its consolidated financial statements including that of all its subsidiary companies, which forms part of this report. The financial position and performance of each of the said subsidiary companies are given in the statement containing the salient features of the financial statements of the said subsidiary companies of the Bank, which is annexed to this report.

In accordance with the third proviso to Section 136(1) of the Companies Act, 2013, the Annual Report of the Bank, containing therein its standalone financial statements and the consolidated financial statements and all other documents required to be attached thereto has been hosted on its website www.axisbank.com.

Further, in accordance with the fourth proviso to the said section, the audited annual accounts of each of the said subsidiary companies of the Bank have been hosted on the Bank's website <https://www.axisbank.com/shareholders-corner/shareholder's-information/annual-reports#/>.



Any shareholder interested in obtaining a physical copy of the aforesaid financial statements may write to the Company Secretary at the Registered Office of the Bank. Further, please note that the said financial statements will also be available for inspection by the Members of the Bank and Trustees of Debenture holders at the Registered Office of the Bank during business hours from 11.00 a.m. to 1.00 p.m. on all working days except Saturdays, Sundays, Bank Holidays and National Holidays.

RELATED PARTY TRANSACTIONS

During the year, the Bank has not entered into any materially significant transactions with its Promoters, Directors, Management, Subsidiaries or Relatives of the Directors/Management, which could lead to potential conflict of interest between the Bank and these parties, other than transactions entered into in the ordinary course of its business.

Transactions entered into by the Bank with related parties in the normal course of its business were placed before the Audit Committee of the Board (ACB). There were no material individual transactions with related parties, which were not in the normal course of the business of the Bank, nor were there any material transactions with related parties or others, which were not on arm's length basis. Accordingly, AOC-2 is not applicable to the Bank. A statement giving details of all related party transactions, entered pursuant to the omnibus approval so granted, is placed before the ACB for their review, on a quarterly basis. The Bank has developed a Standard Operating Procedure for the purpose of identifying and monitoring such transactions. The policy on Related Party Transactions has been hosted on the Bank's website at <https://www.axisbank.com/docs/default-source/quarterly-reports/6policy-on-related-party-transactions.pdf?sfvrsn=2>, in terms of the Listing Regulations relating to Corporate Governance.

EMPLOYEE STOCK OPTION PLAN (ESOP)

Since the financial year 2000-01, the Bank has formulated and adopted several Employee Stock Option Schemes (ESOS) for the benefit of the eligible Directors / Employees of the Bank and some of its subsidiary companies, in terms of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 / Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended, from time to time. The objective of the said ESOS is to enhance employee motivation, enable employees to participate, directly or indirectly, in the long-term growth and financial success of the Bank, to act as a retention mechanism by enabling employee participation in the business of the Bank as its active stakeholder and to usher an 'owner-manager' culture.

In terms of the said ESOS, as on date, up to 24,00,87,000 options can be granted by the Bank to the eligible Directors / Employees of the Bank and some of its Subsidiary Companies. The eligibility and number of options to be granted to such eligible Directors / Employees is determined on the basis of their performance and such other criteria as reviewed and approved by the NRC / Board of Directors of the Bank, as the case may be, from time to time.

During the period from February 2001 to July 2013, the Shareholders of the Bank had approved the grant of stock options, as aforesaid, on six occasions. Under the first two ESOS of the Bank and in respect of the grant of stock options made by the Bank upto 29th April 2004, the option conversion price was set at the average of the daily high-low price of the Bank's equity shares traded during the 52 weeks preceding the date of approval of grant by the Board of Directors of the Bank / NRC, prevailing on the Stock Exchange which had the maximum trading volume of the Bank's equity share during the said period. Thereafter, under the third and subsequent ESOS of the Bank and with effect from the said grants made by the Bank on or after 10th June 2005, the option conversion price was changed to the latest available closing price of the equity shares prevailing on the Stock Exchange which recorded higher trading volume, on the day prior to the date of approval of grant by the NRC.

Pursuant to the sub-division of the equity shares of the Bank, the Shareholders of the Bank at the 20th Annual General Meeting held on 27th June 2014, also approved the consequent adjustments to the stock options granted to the eligible Directors / Employees of the Bank and that of its Subsidiary Companies, under the various ESOS of the Bank, such that all stock options available for grant (including lapsed and forfeited options available for reissue) and those already granted but not vested and those vested but not exercised, as on the record date fixed for the purpose of sub-division, were proportionately converted into options bearing equity shares of the face value of ₹2 each of the Bank and the grant price of all the outstanding stock options (unvested, vested and unexercised) as on the said record date for the purpose of sub-division were proportionately adjusted by dividing the existing grant price by 5. The record date for the said sub-division was 30th July 2014.

Since 24th February 2001 up to 15th May 2017, the NRC / Board had out of the said 24,00,87,000 options, approved the grant of 25,31,58,700 options (including 2,62,12,797 options which were lapsed and forfeited) to the eligible Directors / Employees of the Bank and some of its Subsidiary Companies, in terms of the various ESOS of the Bank. The said options are non-transferable and vest at rates of 30%, 30% and 40% on each of three successive anniversaries following the date of respective grant, subject to standard vesting and other conditions as set out in the respective ESOS of the Bank. The said options are required to be exercised by the concerned Directors / Employees of the Bank and some of its Subsidiary Companies, within a period of three / five years, from the date of its respective vesting, in terms of the respective ESOS of the Bank.

As of 31st March 2018, out of the said 25,31,58,700 options so granted 21,34,53,153 options have been vested, out of which 19,73,90,994 options have been exercised and the balance 1,60,62,159 options remain unexercised. Further 1,34,92,750 options remained unvested and 2,62,12,797 options had been treated as lapsed and forfeited.

There were no material changes in the ESOS of the Bank during the financial year 2017-18 and the same is in compliance with the relevant provisions of the SEBI (Share Based Employee Benefits) Regulations, 2014.

Statutory disclosures as mandated under Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014 have been uploaded on the website of the Bank at <https://www.axisbank.com/shareholders-corner/corporate-governance/compliance-report>.

CORPORATE GOVERNANCE

The Bank is committed to achieving and adhering to the highest standards of Corporate Governance and it constantly benchmarks itself with best practices, in this regard.

The Report on Corporate Governance for the financial year 2017-18 along with a Certificate issued by the Statutory Auditors of the Bank confirming compliance with the mandatory requirements relating to Corporate Governance as stipulated under Chapter IV of the Listing Regulations, forms part of this report.

The Corporate Governance framework of the Bank incorporates all the mandatory requirements as prescribed in the Listing Regulations. The Bank has also adopted the non-mandatory requirements as recommended in the Listing Regulations, detailed in the Report on Corporate Governance, which forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Bank hereby declares and confirms the following statements, in terms of Section 134(3)(c) of the Companies Act, 2013:

- a) That in the preparation of the annual accounts for the financial year ended 31st March 2018, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- b) That such accounting policies as mentioned in Note 17 of the Notes to accounts of the Financial Statements have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at 31st March 2018 and of the profit of the Bank for the year ended on that date.
- c) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities.
- d) That the annual accounts have been prepared on a going concern basis.
- e) That internal financial controls to be followed by the Bank, were in place and that the same were adequate and were operating effectively.
- f) That proper system to ensure compliance with the provisions of all applicable laws was in place and the same were adequate and operating effectively.

EXTRACT OF ANNUAL RETURN

Pursuant to Section 92(3) and Section 134(3) of the Companies Act, 2013 read with Rule 12 (1) of the Companies (Management and Administration) Rules, 2014, as amended, the extract of the Annual Return in Form MGT 9, is provided as an annexure to this report.

PARTICULARS OF EMPLOYEES

The information required pursuant to Section 197 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, in respect of directors / employees of the Bank, is provided as an annexure to this report.



As on 31st March 2018, the Bank had 50 employees who were employed throughout the year and were in receipt of remuneration of more than ₹1.02 crore per annum and 6 employees of the Bank who were employed for part of the year and were in receipt of remuneration of more than ₹8.50 lakhs per month.

In terms of Section 136 of the Companies Act, 2013, the copy of the financial statements of the Bank, including the consolidated financial statements, the auditor's report and relevant annexures to the said financial statements and reports are being sent to the Members and other persons entitled thereto, excluding the information in respect of the said 56 employees of the Bank containing the particulars as specified in Rule 5 (2) of the said Rules, which is available for inspection by the Members at the Registered Office of the Bank during business hours of the Bank up to the date of the ensuing Annual General Meeting. Any Member interested in obtaining a copy thereof, may write to the Company Secretary of the Bank at its Registered Office.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION:

Energy and natural resource conservation have been focus areas for the Bank and conscious efforts are being made towards improving energy performance, year on year.

For Sustainable Development, Energy efficiency initiatives have been implemented across several branches and offices through energy and resource conservation projects.

The Bank ensures strict compliance with all statutory requirements and voluntarily undertakes several sustainable steps in order to contribute towards a better environment.

Some of the steps undertaken and the impact perceived are listed below:

- Implementation of Solar energy projects across select Branches/ Offices, aggregating ~5.05 MW. This also includes 1.27 MW project at Axis House, NOIDA
- Implementation of Centralised Energy Management System (CEMS) to monitor and control energy consumption.
- Conversion of conventional lighting to LED in select premises & implementation of LED lights in all new Branches/Offices.
- Conversion of Food/Wet waste at Axis House into manure through compost machine for use in landscaping/gardening.
- Maintenance of unity power factor through 500 KVAR x 4 Nos of APFC panels in auto mode for optimum use of power at Axis House
- Installation of Motion sensors for workstation and common area lighting at Axis House.
- Re-cycling of Dry waste at Axis House into stationery items like notepads.
- Daily re-cycling of 150 KL of water through Sewage Treatment Plant at Axis House, Worli.
- Reduction of water consumption at Axis House and Gigaplex (Airoli) through use of aerators.
- Rain Water Harvesting at Axis House.
- Saving of water through use of Bio-blocks in urinals at Select Large Facilities.
- Installation of sensors in washbasins to optimise flow of water.

FOREIGN EXCHANGE EARNING AND OUTGO:

The provisions relating to Section 134(3)(m) of the Companies Act, 2013 on particulars relating to Foreign Exchange Earning and Outgo are not applicable to a Banking Company, as such no disclosure is being made in this regard.

MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

The Management's Discussion and Analysis Report for the year under review, as stipulated under Regulation 34(2)(e) of the Listing Regulations, is provided as an annexure to this report.

RISK MANAGEMENT

Pursuant to Regulation 21 of the Listing Regulations, the Bank has constituted a Risk Management Committee of the Board of Directors. The details of the said Committee and its terms of reference are set out in the Report on Corporate Governance, which forms part of this report.

The Bank has formulated and adopted a robust Risk Management Framework. Whilst the Board is responsible for framing, implementing and monitoring the Risk Management Framework, it has delegated its powers relating to monitoring and reviewing of risks associated with the business of the Bank to the said Committee. The details of the Risk Management Framework and issues related thereto have been explained in the Management's Discussion and Analysis Report, which is provided as an annexure to this report.

BUSINESS RESPONSIBILITY REPORT

In terms of Regulation 34(2)(f) of the Listing Regulations, top 500 listed entities based on their market capitalisation as on 31st March every year, are required to submit their Business Responsibility Report (BRR) as a part of the Annual Report. The Bank's Business Responsibility Report describing the initiatives taken by the Bank from an environmental, social and governance perspective has been hosted on the website of the Bank, www.axisbank.com at <https://www.axisbank.com/shareholders-corner/shareholder's-information/business-responsibility-report>. Any Member interested in obtaining a copy of the BRR may write to the Company Secretary of the Bank at its Registered Office.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

The provisions relating to Section 134(3)(g) of the Companies Act, 2013 on particulars of loans, guarantees and investments are not applicable to a Banking Company, as such no disclosure is being made in this regard.

CORPORATE SOCIAL RESPONSIBILITY

The Bank has constituted the Corporate Social Responsibility (CSR) Committee of the Board of Directors, in accordance with the provisions of Section 135 of the Companies Act, 2013, read with the Companies (Corporate Social Responsibility) Rules, 2014, as amended.

The brief outline of the CSR Policy, including overview of the programs undertaken by the Bank, the composition of the CSR Committee, average net profits of the Bank for the past three financial years, prescribed CSR expenditure and details of the amounts spent by the Bank on CSR activities during the year under review, have been provided as an annexure to this report.

The Bank's Corporate Social Responsibility Policy which has been reviewed and approved by the CSR Committee has been hosted on the website of the Bank at <https://www.axisbank.com/csr>.

PLAN AND STATUS OF IND AS IMPLEMENTATION

The Reserve Bank of India (RBI) issued a circular in February 2016 requiring banks to implement Indian Accounting Standards (Ind AS) and prepare standalone and consolidated Ind AS financial statements with effect from 1st April 2018. Banks are also required to report the comparative financial statements for the financial year 2017-18, to be published along with the financial statement for the year beginning 1st April 2018. However, the RBI in its press release issued on 5th April 2018 has deferred the applicability of Ind AS by one year for Scheduled Commercial Banks. Banks are now required to implement Ind AS with effect from 1st April 2019 and prepare standalone and consolidated Ind AS financial statements for FY 2019-20 with comparative figures for financial year 2018-19.

In line with the RBI guidelines on Ind AS implementation, the Bank has formed a Steering Committee comprising members from the concerned functional areas, headed by the Deputy Managing Director of the Bank. A quarterly progress report on the status of Ind AS implementation in the Bank is presented to the Audit Committee of the Board. During FY 2016-17, the Bank has undertaken a preliminary diagnostic analysis of the GAAP differences between Indian GAAP vis-a-vis Ind AS. The Bank has also submitted Proforma Ind AS financial statements for the six months ended 30th September 2016 and three months ended 30th June 2017 to the RBI.

The Bank has identified and evaluated data gaps, process and system changes required to implement Ind AS and is in the process of implementing necessary changes in its IT system and other processes. Dry-run of accounting systems and end-to-end reporting process will be undertaken at the appropriate time during the year. The Bank has been holding workshops and training for its staff, which will continue in the current year.

The Bank is in the process of preparation of opening Ind AS financials as on 1st April 2018 and is also examining impact of Ind AS on business planning, budgeting, taxation, capital planning and on capital adequacy. The Bank will prepare quarterly Ind AS financials during the year 2018-19 for internal purpose, which will be used later, as comparative numbers for the financial year 2019-20.

STATUTORY AUDITORS

At the 20th Annual General Meeting of the Shareholders of the Bank held on 27th June 2014, M/s S. R. Batliboi & Co. LLP, Chartered Accountants, Statutory Auditors of the Bank (Membership No. 301003E/ E300005), was appointed as the Statutory Auditors of the Bank to hold office as such from the conclusion of the 20th Annual General Meeting until the conclusion of the 24th Annual General Meeting, subject to the approval of the Reserve Bank of India and ratification by the Shareholders each year and on such remuneration, as may be approved by the Audit Committee of the Board (ACB).



As the term of M/s S. R. Batliboi & Co. LLP, Chartered Accountants will expire at the conclusion of the ensuing 24th Annual General Meeting of the Bank, it is proposed to appoint M/s Haribhakti & Co. LLP, Chartered Accountants, Mumbai (Membership Number 103523W/W100048) as the Bank's new Statutory Auditor, subject to the approval of the Shareholders of the Bank. Pursuant to the recommendation of the Audit Committee of the Board, the Board of Directors has proposed the appointment of M/s Haribhakti & Co. LLP, Chartered Accountants, having registration number 103523W/W100048, issued by the Institute of Chartered Accountants of India, as the Statutory Auditors of the Bank for a period of four consecutive years and to hold office as such from the conclusion of the 24th Annual General Meeting upto the conclusion of the 28th Annual General Meeting. The Shareholders are requested to consider their appointment on such remuneration as may be decided by the ACB. The said appointment has been approved by the RBI.

In this regard, the Bank has received a certificate from the said Statutory Auditor to the effect that the appointment, if made, would be in accordance with the relevant provisions of Section 141 of the Companies Act, 2013. The said appointment has also been approved by the RBI in terms of relevant provisions of the Banking Regulation Act, 1949.

As required under Regulation 33(1)(d) of the Listing Regulations, the Statutory Auditors have confirmed that they have subjected themselves to the peer review process of the Institute of Chartered Accountants of India (ICAI) and that they hold a valid certificate issued by the Peer Review Board of ICAI.

There are no qualifications, reservations or adverse remarks made by M/s S. R. Batliboi & Co. LLP, Chartered Accountants, Statutory Auditors of the Bank, in their report. Further, pursuant to Section 143(12) of the Companies Act, 2013, the Statutory Auditors of the Bank have not reported any instances of frauds committed in the Bank by its officers or employees.

The Board of Directors places on record their appreciation for the professional services rendered by M/s S. R. Batliboi & Co., Chartered Accountants, during their tenure as the Statutory Auditors of the Bank.

SECRETARIAL AUDITORS

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the relevant provisions of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Bank had appointed M/s BNP & Associates, Company Secretaries, Mumbai, to act as the Secretarial Auditor of the Bank for the financial year 2017-18. The secretarial audit of the Bank was conducted on a quarterly basis in respect of the matters prescribed in the said Rules and as set out in the Secretarial Audit Report for the financial year 2017-18, which is provided as an annexure to this report.

The Secretarial Auditor of the Bank, in its report has made an observation on the Directions issued by SEBI on 27th December 2017 with respect to the alleged leakage of Unpublished Price Sensitive Information (UPSI) relating to the unaudited financial results of the Bank, for the quarter ended 30th June 2017.

Pursuant to the said Directions, the Bank had appointed Deloitte Touche Tohmatsu India LLP, Mumbai (Deloitte) to evaluate and suggest measures to strengthen the process, controls and systems relating to preparation, finalization and disclosure of the financial results of the Bank and conduct a fact-finding review into the alleged leakage of unpublished price sensitive information relating to the unaudited financial results of the Bank, for the quarter ended 30th June 2017 and submit a report to the Bank within the time frame prescribed by SEBI. The Bank had also appointed Ernst & Young (EY) to conduct a similar review in respect of the representatives of the Statutory Auditors of the Bank, as they had access to the said results.

The Bank has submitted its report to SEBI, in compliance with the said Directions. Based on the procedures performed by Deloitte and EY, their findings indicate that they did not come across any specific instance that indicates sharing or forwarding of UPSI data relating to the said financial results of the Bank, with any external parties/ individuals.

The Bank has also taken measures to further strengthen its process, controls and systems relating to preparation, finalisation and disclosure of its financial results and to plug any possible source of leakage of UPSI relating to its financial results, in future.

Apart from the above, there are no qualifications, reservations or adverse remarks made by the Secretarial Auditor of the Bank, in its report.

SIGNIFICANT AND MATERIAL ORDER PASSED BY REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND OPERATIONS OF THE BANK

During the financial year 2017-18, no significant or material orders were passed by any Regulator, Court or Tribunal against the Bank, which could impact its going concern status or operations.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS RELATED TO FINANCIAL STATEMENTS

The Board has inter alia reviewed the adequacy and effectiveness of the Bank's internal financial controls relating to its financial statements.

The Board has discussed with the Management of the Bank the major financial risk exposures and the steps taken by it to monitor and control such exposures, overseen and reviewed the functioning of the Whistle Blower Mechanism (which is a part of the Bank's Fraud Risk Management Policy) and the findings in respect of the investigations conducted on frauds, which were material in nature and the actions taken by the Management in this regard.

CEO & CFO CERTIFICATION

Certificate issued by Smt. Shikha Sharma, Managing Director & CEO and Shri Jairam Sridharan, Group Executive & CFO of the Bank, for the financial year ended 31st March 2018, was placed before the Board of Directors at its meeting held on 26th April 2018, in terms of Regulation 17(8) of the Listing Regulations.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE BANK

There are no material changes and commitments which affected the financial position of the Bank which occurred between the end of the financial year of the Bank to which the financial statements relate and the date of this report.

ACKNOWLEDGEMENTS

The Board of Directors places on record its gratitude to the Reserve Bank of India, Ministry of Corporate Affairs, Securities and Exchange Board of India, other Statutory and Regulatory Authorities, Financial Institutions, Stock Exchanges, Registrar and Share Transfer Agent, Debenture Trustees, Depositories and Correspondent Banks for their continued support and guidance.

The Board also places on record its appreciation to the Shareholders of the Bank for their continued support and to its valued customers for their continued patronage. The Board also expresses its deep sense of appreciation to all the employees of the Bank for their strong work ethic, excellent performance, professionalism, teamwork, commitment and initiatives which has led to the Bank reinforcing its customer centric image and making commendable progress in today's challenging environment.

For and on behalf of the Board of Directors

Place: Mumbai
Date: 16th May 2018

Dr. Sanjiv Misra
Chairman