

MESSAGE FROM THE MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Dear Stakeholders,

The year gone by has been a significant one from the sustainable development perspective. The new United Nations Sustainable Development Goals for 2030 laid out a blueprint for a future we all aspire for. The COP21 climate change agreement in Paris brought together the world leaders on single platform to agree on limiting emissions to within 2 °C of temperature rise compared to pre-industrial levels. Increasing number of extreme weather events further substantiated the fact that climate change is an immediate threat, not just for the environment but also for economic growth and social development. It is then only natural that climate change for the first time has emerged as a top global risk in the World Economic Forum's Global Risks 2016 report. This calls for concerted efforts by one and all – the Government, Businesses, Civil Society and Individuals – in shaping the future by acting now.

At Axis Bank, we are making progress in doing our bit to contribute to sustainable development by anticipating and adapting to evolving externalities, embracing new challenges and preparing for future uncertainties. We have adopted a stakeholder-centric Sustainability Framework, which serves as roadmap for us to address material sustainability topics while continuing to deliver robust growth.

Our unwavering commitment to customer centricity continues to drive our vision and strategy. We are making banking simple by developing customised solutions for different customer segments across the economic pyramid, investing in dependable technology for multi-channel delivery and re-engineering processes to make customer transactions and interactions with us easy and secure across channels. We also take seriously, our role towards the national cause of comprehensive financial inclusion to bring millions of underserved people into the formal banking fold and enable them to build a better financial future. It is indeed a matter of pride for us to have been recognised as the Best Private Sector Bank for Rural Outreach at the Dun & Bradstreet Banking Awards 2015.



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The macroeconomic fundamentals of India continued to improve, primarily driven by a continuation in government policy initiatives and benefits of a sustained regime of low commodity prices. While the retail segment continued to show steady progress, corporate investments remained slow as capacity utilisation continued to be modest, balance sheets are stretched and the global growth environment remains uncertain. This had a bearing on the balance sheets of the banks in the form of deterioration of asset quality. During the year, the RBI undertook a comprehensive Asset Quality Review (AQR) across all banks. We have recognised necessary impairment emanating from RBI's AQR and the necessary provisioning impact of the asset reclassification in the third quarter of the fiscal year. Notwithstanding such factors, we continued to deliver steady growth of 21% core operating profit and 12% net profit during the year. This was possible owing to our strategy of diversifying the business mix and a sustained focus on deepening our low-cost deposit franchise.

People are our key asset. We invest in progressive people practices to engage and empower our young workforce to realise their potential. Their commitment and dedication are the cornerstones of our relentless pursuit for excellence. During the year, we have shifted to a new integrated performance management and capability development system 'ACElerate' which endeavours to deliver a more inclusive approach to career growth with greater alignment to the Bank's performance. The team spirit exhibited by our employees, especially when it matters the most, is truly commendable and inspirational. When nature wreaked havoc through the floods in Chennai, our employees went beyond the call of duty to ensure essential banking services were made available for extended hours and weekends.

We have made progress on the environmental sustainability front by rolling out 'Sustainable Lending Policy and Practices' to ensure that environmental and social aspects are integrated into the credit risk framework for qualifying projects. We are also in the process of putting in place a 'Green Bond Framework' towards raising capital for green projects and initiatives. Significant capacity addition has been made to our solar power generation capacity, and investments in energy efficiency contributed to lowering our carbon footprint. Employee awareness on environmental sustainability is another key enabler that we are working on to increase the impact of our programs.

Our community development agenda primarily focuses on creating enabling conditions for communities in some of the poorest districts of the country to generate

sustainable livelihoods, thus contributing to poverty alleviation. The community development programs, conducted by the Axis Bank Foundation, are spread across the country and have reached over 0.8 million beneficiaries since inception. Beyond the outreach of the Foundation's programs, the impact made by such programs are noteworthy with an average 60-70% increase in income of beneficiaries, and women empowerment observed in most of the programs. The Foundation's work is complemented by some of the programs undertaken directly by the Bank, which aim to create shared value by supporting rural communities and vital sectors of growth such as the MSME sector.

During the year, we have made progress against our sustainability objectives. I am confident that we are taking the right steps in this direction and will continue to pursue this agenda with increased vigour. I would like take this opportunity to thank all our stakeholders, past and present, who have been and are part of this journey; and I reaffirm our commitment to deliver 'sustainable progress' for all stakeholders.

Shikha Sharma
Managing Director & CEO