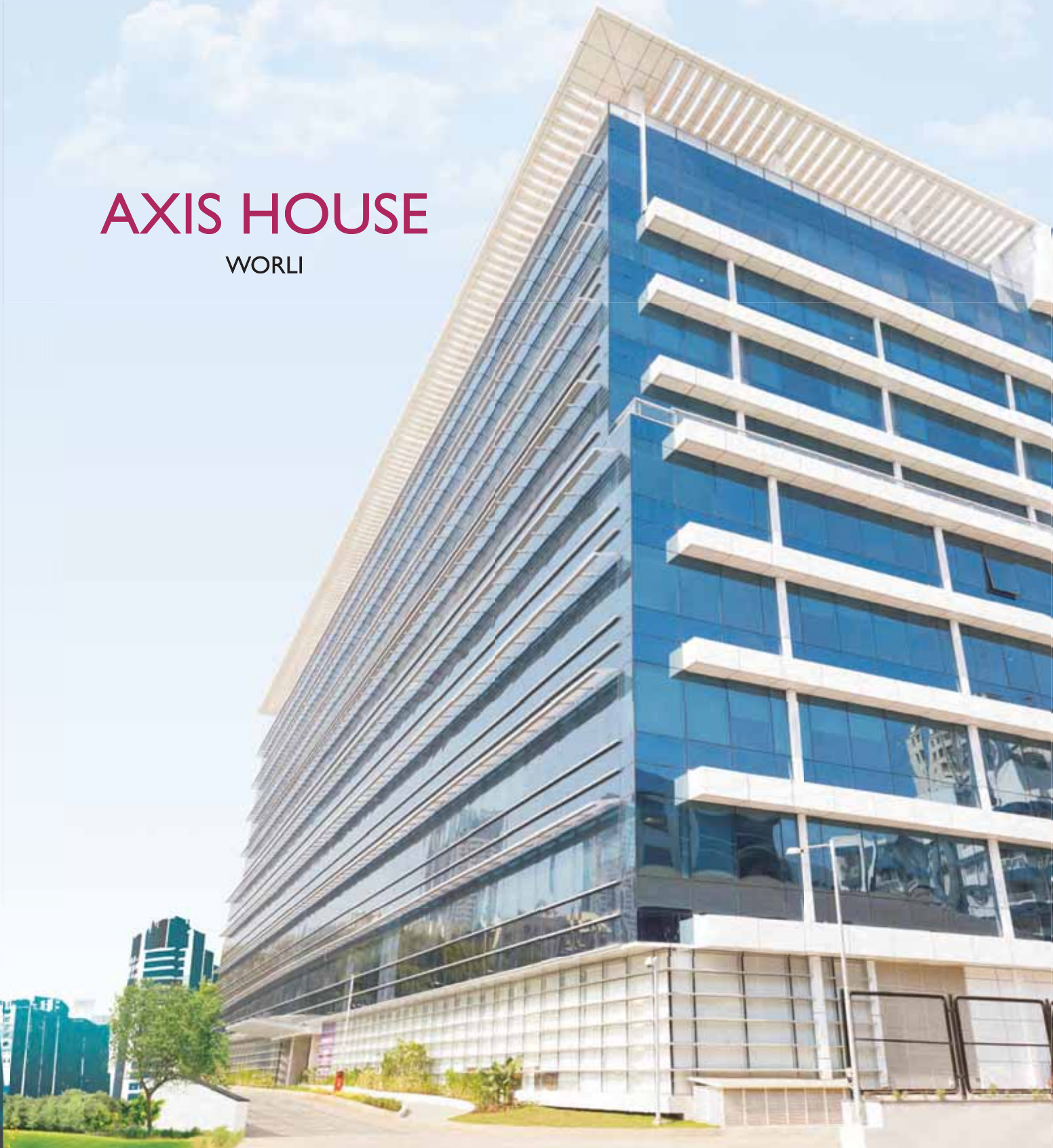




# AXIS HOUSE

WORLI



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## MANAGING DIRECTOR & CEO'S LETTER TO THE SHAREHOLDERS

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The Bank has reported another successful performance, underpinned by healthy growth of both business and revenues. We continue to have a fairly well-diversified customer base that spans both the retail and corporate banking space. This year the Bank has expanded its reach across the country, adding 407 new branches and 1,977 ATMs. In addition to creating infrastructural capabilities for the future, we have launched several other initiatives to fulfill product and service needs of our customers including the launch of an online-broking portal through our wholly-owned subsidiary, Axis Securities and Sales Limited. The infrastructure business size has grown well, in line with our expectations and this augurs well for the future, infrastructure being critical to the country's growth.

With the Axis family growing manifold over the years, a need was felt to construct a corporate office with a distinct identity and one which would house our employees in a contemporary, yet environment-friendly and wholesome workplace. The relocation to Axis House has fulfilled this aspiration.

The economic outlook for the country continues to be promising despite concerns around rising inflation. I believe the Bank is truly well-positioned to capitalize on emerging opportunities across the economy including infrastructure, SME, retail banking and capital markets and will, therefore, continue to deliver value to its shareholders.

**Shikha Sharma**

Managing Director & CEO

22<sup>nd</sup> April 2011



## BOARD OF DIRECTORS\*

Adarsh Kishore	Chairman
Shikha Sharma	Managing Director and CEO
S. K. Chakrabarti	Deputy Managing Director
J. R. Varma	Director
R. H. Patil	Director
Rama Bijapurkar	Director
R. B. L. Vaish	Director
M. V. Subbiah	Director
K. N. Prithviraj	Director
V. R. Kaundinya	Director
S. B. Mathur	Director
S. K. Roongta	Director
Prasad R. Menon	Director
R. N. Bhattacharyya	Director
P. J. Oza	Company Secretary

## THE CORE MANAGEMENT TEAM

V. Srinivasan	Executive Director (Corporate Banking)
Somnath Sengupta	Executive Director and CFO
Snehomoy Bhattacharya	Executive Director (Human Resources)
S. K. Nandi	President & Chief Audit Executive
R. K. Bammi	President and Head - Retail Banking
P. Mukherjee	President - Treasury & International Banking
S. S. Bajaj	President & Chief Compliance Officer
Vinod George	President - Wholesale Banking Operations
M. V. Subramanian	President - Business Banking
S. K. Mitra	President and Head - Distribution
B. Gopalakrishnan	President - Law
Bapi Munshi	President & Chief Risk Officer
C. Babu Joseph	Executive Trustee & CEO - Axis Bank Foundation
Sonu Bhasin	President and Head - Retail Products & Sales Management
Sanjeev K. Gupta	President - Finance & Accounts and Investor Relations
V. K. Bajaj	President - Mid Corporates
Sidharth Rath	President - Infrastructure Business
A. R. Gokulakrishnan	President - Stressed Assets
Rajendra D. Adsul	President - SME
R. V. S. Sridhar	President (Treasury - Global Markets)
Lalit Chawla	President - Corporate Credit
Rajesh Kumar Dahiya	President - Human Resources
Nilesh Shah	President - Strategic Initiatives

\*as on 22 April 2011

### M/s Deloitte Haskins & Sells

Auditors

Chartered Accountants

### M/s Karvy Computershare Private Limited

Registrar and Share Transfer Agent

#### UNIT : AXIS BANK LIMITED

Plot No. 17 to 24, Vithalrao Nagar, Madhapur, Hyderabad - 500 081

Tel. No. : 040-23420815 to 23420824 Fax No. : 040-23420814

#### Registered Office

'Trishul', 3<sup>rd</sup> Floor, Opp. Samartheshwar Temple, Law Garden, Ellisbridge, Ahmedabad - 380 006.

Tel. No. : 079-2640 9322 Fax No : 079-2640 9321 Email : p.oza@axisbank.com, rajendra.swaminarayan@axisbank.com

Web site : www.axisbank.com

#### Corporate Office

Axis House, Bombay Dyeing Mills Compound, Pandurang Budhkar Marg, Worli, Mumbai – 400 025

Tel. No. : 022-24252525/43252525 and Fax No. : 022-43251800

## SNAP SHOT OF KEY FINANCIAL INDICATORS : 2007 - 2011

(₹ in crores)

FINANCIAL HIGHLIGHTS	2006 - 2007	2007 - 2008	2008 - 2009	2009 - 2010	2010 - 2011	CAGR (5 Years)
Total Deposits	58,785.60	87,626.22	117,374.11	141,300.22	<b>189,237.80</b>	36.38%
- Saving Bank Deposits	12,125.88	19,982.41	25,822.12	33,861.80	<b>40,850.31</b>	38.33%
- Current Account Deposits	11,304.31	20,044.58	24,821.61	32,167.74	<b>36,917.09</b>	35.88%
Total Advances	36,876.48	59,661.14	81,556.77	104,340.95	<b>142,407.83</b>	44.87%
- Retail Advances	8,927.54	13,591.68	16,051.78	20,820.73	<b>27,759.23</b>	33.73%
Total Investments	26,897.16	33,705.10	46,330.35	55,974.82	<b>71,991.62</b>	27.31%
Shareholders' Funds	3,393.23	8,768.50	10,213.59	16,044.45	<b>18,998.83</b>	45.92%
Total Assets/Liabilities	73,257.22	109,577.85	147,722.05	180,647.85	<b>242,713.37</b>	37.31%
Net Interest Income	1,468.33	2,585.35	3,686.21	5,004.49	<b>6,562.99</b>	43.51%
Other Income	1,010.11	1,795.49	2,896.88	3,945.78	<b>4,632.13</b>	44.72%
Operating Revenue	2,478.44	4,380.84	6,583.09	8,950.27	<b>11,195.12</b>	44.00%
Operating Expenses	1,214.59	2,154.92	2,858.21	3,709.72	<b>4,779.43</b>	42.48%
Operating Profit	1,263.85	2,225.92	3,724.88	5,240.55	<b>6,415.69</b>	45.21%
Provisions and Contingencies	604.82	1,154.89	1,909.52	2,726.02	<b>3,027.20</b>	42.86%
Net Profit	659.03	1,071.03	1,815.36	2,514.53	<b>3,388.49</b>	47.52%

FINANCIAL RATIOS	2006 - 2007	2007 - 2008	2008 - 2009	2009 - 2010	2010 - 2011
Earnings Per Share (Basic) (in ₹)	23.50	32.15	50.61	65.78	<b>82.95</b>
Book Value (in ₹)	120.50	245.14	284.50	395.99	<b>462.77</b>
Return on Equity	21.84%	16.09%	19.93%	19.89%	<b>20.13%</b>
Return on Assets	1.10%	1.24%	1.44%	1.67%	<b>1.68%</b>
Capital Adequacy Ratio (CAR)	11.57%	13.73%	13.69%	15.80%	<b>12.65%</b>
Tier I Capital (CAR)	6.42%	10.17%	9.26%	11.18%	<b>9.41%</b>
Dividend Per Share (in ₹)	4.50	6.00	10.00	12.00	<b>14.00</b>
Dividend Payout Ratio	22.58%	23.49%	23.16%	22.57%	<b>19.78%</b>

## HIGHLIGHTS

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Profit after tax up 34.76% to ₹**3,388.49** crores

Net Interest Income up 31.14% to ₹**6,562.99** crores

Fee & Other Income up 32.39% to ₹**4,135.16** crores

Deposits up 33.93% to ₹**189,237.80** crores

Demand Deposits up 17.78% to ₹**77,767.40** crores

Advances up 36.48% to ₹**142,407.83** crores

Retail Assets up 33.32% to ₹**27,759.23** crores

Network of branches and extension counters increased from 983 to **1,390**

Total number of ATMs went up from 4,293 to **6,270**

Net NPA ratio as a percentage of net customer assets down to **0.26%** from 0.36%

Earnings per share (Basic) increased from ₹65.78 to ₹**82.95**

Proposed Dividend up from 120% to **140%**

Capital Adequacy Ratio stood at **12.65%** as against the minimum regulatory norm of 9%



## DIRECTORS' REPORT: 2010-11

The Board of Directors is pleased to present the Seventeenth Annual Report of the Bank together with the Audited Statement of Accounts, Auditors' Report and the report on business and operations of the Bank for the financial year ended 31 March, 2011.

### FINANCIAL PERFORMANCE

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

(₹ in crores)

PARTICULARS	2010-11	2009-10	Growth
Deposits	189,237.80	141,300.22	33.93%
Out of which			
• Savings Bank Deposits	40,850.31	33,861.80	20.64%
• Current Account Deposits	36,917.09	32,167.74	14.76%
Advances	142,407.83	104,340.95	36.48%
Out of which			
• Retail Advances	27,759.23	20,820.73	33.32%
• Non-retail Advances	114,648.60	83,520.22	37.27%
Total Assets/Liabilities	242,713.37	180,647.85	34.36%
Net Interest Income	6,562.99	5,004.49	31.14%
Other Income	4,632.13	3,945.78	17.39%
Out of which			
• Trading Profit <sup>(1)</sup>	496.97	822.38	(39.57%)
• Fee & other income	4,135.16	3,123.40	32.39%
Operating Expenses excl. depreciation	4,489.84	3,475.40	29.19%
Profit before depreciation, provisions and tax	6,705.28	5,474.87	22.47%
Depreciation	289.59	234.32	23.59%
Provision for Tax	1,747.17	1,336.83	30.70%
Other Provisions & Write offs	1,280.03	1,389.19	(7.86%)
Net Profit	3,388.49	2,514.53	34.76%
Appropriations :			
Transfer to Statutory Reserve	847.12	628.63	34.76%
Transfer to/(from) Investment Reserve	(14.94)	14.88	-
Transfer to Capital Reserve	4.76	223.92	(97.87%)
Transfer to General Reserve	338.85	0.31	-
Proposed Dividend	670.36	567.45	18.14%
Surplus carried over to Balance Sheet	1,542.34	1,079.34	42.90%

(1) Excluding Merchant Exchange Profit

KEY PERFORMANCE INDICATORS	2010-11	2009-10
Interest Income as a percentage of working funds*	7.49%	7.73%
Non-Interest Income as a percentage of working funds*	2.29%	2.62%
Net Interest Margin	3.65%	3.75%
Return on Average Net Worth	20.13%	19.89%
Operating Profit as a percentage of working funds*	3.17%	3.48%
Return on Average Assets	1.68%	1.67%
Profit per employee**	₹14.35 lacs	₹11.63 lacs
Business (Deposits less inter-bank deposits + Advances) per employee**	₹13.66 crores	₹11.11 crores
Net non performing assets as a percentage of net customer assets ***	0.26%	0.36%

\* Working funds represent average total assets.

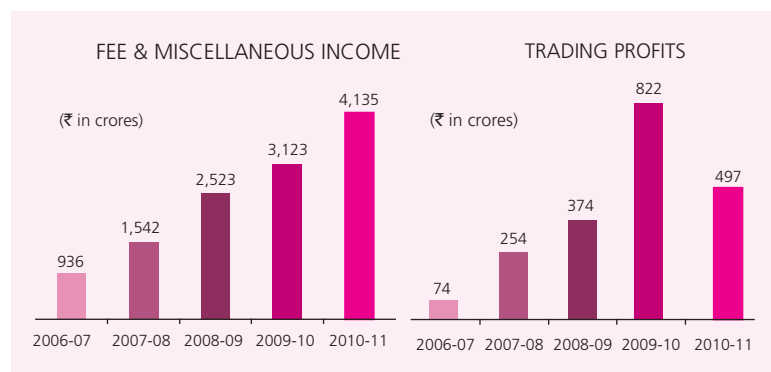
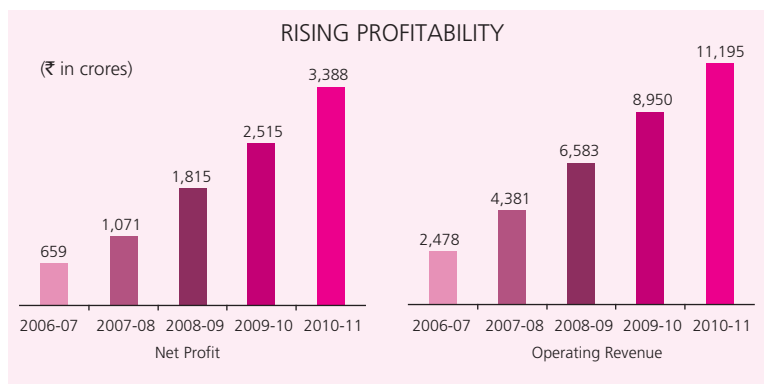
\*\* Productivity ratios are based on average number of employees for the year.

\*\*\* Customer Assets include advances and credit substitutes.

Previous year figures have been regrouped wherever necessary.

In 2010-11 both business and earnings grew strongly with the Bank reporting a net profit of ₹3,388.49 crores for the year ended 31 March, 2011, rising 34.76% over the net profit of ₹2,514.53 crores in the previous year. The solid growth of business across segments has been reflected in a set of robust financial indicators.

The Bank's total income increased 26.97% to reach ₹19,786.94 crores during 2010-11, compared to ₹15,583.80 crores last year. Operating revenue during this period increased 25.08% to ₹11,195.12 crores while operating profit increased by 22.42% to ₹6,415.69 crores. The growth in revenues may be attributed to the performance of the Bank's core income streams: net interest income (NII), fee and other income. NII increased by 31.14% to ₹6,562.99 crores from ₹5,004.49 crores last year, while fee and other income increased by 17.39% to ₹4,632.13 crores from ₹3,945.78 crores last year. NII increased by 31.14% as a result of healthy growth of both assets and low-cost Current Account and Savings Bank (CASA) deposits, on a daily average basis. During the year, total earning assets, on a daily average basis, rose 34.70% to ₹179,573 crores from ₹133,309 crores last year. A 32.81% growth of low-cost CASA deposits, on a daily average basis, from ₹44,839 crores last year to ₹59,551 crores, helped the Bank contain funding costs, which had risen in the last quarter of the year due to the hardening of interest rates on term deposits.



Other income comprising fees, trading profit and miscellaneous income also rose 17.39% to ₹4,632.13 crores in 2010-11 from ₹3,945.78 crores last year. Fee income constituted 33.86% of the operating revenue of the Bank and rose 29.59% to ₹3,790.37 crores from ₹2,924.96 crores last year. The Bank earns fee income from a diverse set of products and businesses such as client-based merchant foreign exchange trade, service charges from account maintenance, transaction banking including cash management services, syndication and placement fees, processing fees from loans

and commission on non-funded products such as letters of credit and bank guarantees, inter-change fees on ATM-sharing arrangements and fee income from the distribution of third-party personal investment products. During the year, proprietary trading profits fell 39.57% to ₹496.97 crores from ₹822.38 crores last year, primarily due to adverse market conditions in the debt and equity markets. Miscellaneous income was buoyant, rising 73.75% mainly due to strong recoveries of loans and derivative receivables written-off in previous years. During the year, such recoveries amounted to ₹325.22 crores compared to ₹174.43 crores last year.

During the year, the operating revenue of the Bank increased 25.08% to ₹11,195.12 crores from ₹8,950.27 crores last year. The core income streams (NII, fee and miscellaneous income) constituted 95.56% of the operating revenue, reflecting the stability and sustainability of the Bank's earnings. Operating expenses increased by 28.84% to ₹4,779.43 crores from ₹3,709.72 crores last year, on the back of the continuing growth of the Bank's network and infrastructure required for supporting existing and new businesses. During the year, the Cost: Income ratio was 42.69% compared to 41.45% last year.

During the year, the operating profit of the Bank increased 22.42% to ₹6,415.69 crores from ₹5,240.55 crores last year. During this period, provisions (excluding provisions for tax) charged to the Profit & Loss account were ₹1,280.03 crores compared to ₹1,389.19 crores last year. Of this, provisions for loan losses were ₹955.12 crores compared to ₹1,357.04 crores last year, while the provision for standard assets was ₹166.16 crores. The Bank accelerated its provisioning requirements in some portfolios as a measure of prudence, increasing the overall provision coverage. The Bank also provided ₹15.06 crores compared to ₹56.47 crores last year against restructured assets. During 2010-11, the Bank restructured loans of ₹404