

ANNUAL REPORT

2014 - 2015



ANYTIME, ANYWHERE
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MANAGING DIRECTOR & CEO'S LETTER TO THE SHAREHOLDERS

Several encouraging developments during the year helped improve investor sentiment and business confidence in India, even as the economic environment remained challenging. The national parliamentary elections conducted during the year resulted in a decisive mandate for change with a majority in the lower house of parliament. Globally, a fall in commodity prices, particularly crude, provided significant headroom to the Government on fiscal consolidation. India's external fundamentals also improved, with the Current Account Deficit being estimated at around 1% of GDP in FY15. With price pressures easing, the Reserve Bank of India (RBI) started easing monetary policy with a half percent cut in the Repo Rate, which should progressively result in lower lending rates. I believe that India's economy holds immense promise and the Bank is well positioned to take advantage of the opportunities that are expected to arise as the economy turns around.

Our strategies for acquiring low-cost deposits, diversifying the business mix, upgrading product and process capabilities and putting in place robust risk management frameworks have all worked well. Key financial health indicators remained strong. Good profit numbers, coupled with efficient capital management, have resulted in a healthy accretion to the Bank's book value, year-on-year. The Bank's retail asset franchise continued to show robust growth while the overall asset quality remained stable.

We have continued to build infrastructure, invest in technology and in human capital to support business growth, extend our reach and deepen existing customer relationships. Our digital strategy continues to see strong traction with a multi-fold increase in the use of our electronic banking channels. During the year, we launched our premium personal banking service, Burgundy, designed especially for the busy affluent HNI customer. It is our endeavour to provide customers with the best in class user experience, be it in terms of personalisation, control features or ease of use to help them transact in a seamless manner across all channels. It was, therefore, a matter of great pride for us when the Bank was ranked once again as the 'Most Trusted Private Sector Bank' as per the 'Most Trusted Brand Survey', conducted by Brand Equity, Economic Times.

We also created a new vertical called Transaction Banking, which seeks to integrate and deliver superior product solutions & services to our customers in the area of current accounts, cash management services, trade and forex. The Bank continues to remain the leading player in the Debt Capital Market segment and has been ranked number one in the Bloomberg Underwriter League Table for domestic bonds in India, 7th year in a row.

Fiscal 2015 has been a good year for all our subsidiaries, as witnessed by a healthy growth in their total income and earnings. Axis Capital has once again reaffirmed its position as one of India's leading investment banks. Axis Asset Management Company gained market share during the year and is now ranked 12th in assets under management amongst the Mutual Fund Industry.

In our constant endeavour to innovate and grow, we have not lost sight of the fact that we are all a part of a larger community and that we need to invest back into it. The Axis Bank Foundation works closely with NGOs in some of the poorest areas of the country with its special focus on providing sustainable livelihood, poverty alleviation, skill development and education to the underprivileged. In recognition of its efforts, I am happy to share that the Axis Bank Foundation was selected as the 'Outstanding Corporate Foundation' by the Forbes India Philanthropy Awards 2014.

India stands at a defining moment, poised to join the ranks of middle income countries within a generation. We are excited about the prospects that this offers and are confident of our ability to capitalize on the opportunities that emerge as we move ahead.

I wish to take this opportunity to thank all our stakeholders, past and present, for supporting us and for being a part of our endeavour to build out a high quality banking franchise.

Shikha Sharma

29th April 2015

BOARD OF DIRECTORS*

Sanjiv Misra	Chairman
Shikha Sharma	Managing Director & CEO
K. N. Prithviraj	Director
V. R. Kaundinya	Director
Prasad R. Menon	Director
Samir K. Barua	Director
Som Mittal	Director
Ireena Vittal	Director
Rohit Bhagat	Director
Usha Sangwan	Director
S. Vishvanathan	Director
V. Srinivasan	Executive Director & Head (Corporate Banking)
Sanjeev K. Gupta	Executive Director (Corporate Centre) & Chief Financial Officer
Sanjeev Kapoor	Company Secretary

THE CORE MANAGEMENT TEAM*

P. Mukherjee	Group Executive - Corporate Relationship Group & International Business
Rajesh Kumar Dahiya	Group Executive - Human Resources & Compliance
Rajiv Anand	Group Executive - Retail Banking
Bapi Munshi	President & Chief Risk Officer
V. K. Bajaj	President & Chief Audit Executive
Sidharth Rath	President - Treasury & Business Banking
A. R. Gokulakrishnan	President - Wholesale Banking Operations
Rajendra D. Adsul	President - SME
R. V. S. Sridhar	President - Retail Operations
Lalit Chawla	President - Corporate Client Coverage Group
Jairam Sridharan	President - Retail Lending & Payments
J. P. Singh	President - Business Banking

*as on 31st March 2015

M/s S. R. Batliboi & Co. LLP	Auditors
Chartered Accountants	

M/s Mehta & Mehta	Secretarial Auditors
Company Secretaries	

M/s Karvy Computershare Private Limited	Registrar and Share Transfer Agent
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UNIT: AXIS BANK LIMITED

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Tel. No. : 040-67162222 Fax No. : 040-23001153

Registered Office

'Trishul', 3rd Floor, Opp. Samartheshwar Temple, Law Garden, Ellisbridge, Ahmedabad - 380 006.
Tel. No. : 079-66306161 Fax No. : 079-26409321
Email: shareholders@axisbank.com
Website: www.axisbank.com

Corporate Office

'Axis House', C-2, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai - 400 025.
Tel. No. : 022-24252525/43252525 Fax No. : 022-24251800

SNAP SHOT OF KEY FINANCIAL INDICATORS : 2011 - 2015

(₹ in crores)

FINANCIAL HIGHLIGHTS	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015	CAGR (5 Years)
Total Deposits	189,237.80	220,104.30	252,613.59	280,944.56	322,441.94	17.94%
- Savings Bank Deposits	40,850.31	51,667.96	63,777.73	77,775.94	88,292.08	21.13%
- Current Account Deposits	36,917.09	39,754.07	48,322.10	48,686.40	56,108.22	11.77%
Total Advances	142,407.83	169,759.54	196,965.96	230,066.76	281,083.03	21.92%
- Retail Advances	35,970.94	48,678.02	65,496.82	88,028.38	111,932.27	32.72%
Total Investments	71,991.62	93,192.09	113,737.54	113,548.43	132,342.83	18.78%
Shareholders' Funds	18,998.83	22,808.54	33,107.86	38,220.48	44,676.51	22.73%
Total Assets/Liabilities	242,713.37	285,627.79	340,560.66	383,244.89	461,932.39	20.66%
Net Interest Income	6,562.99	8,017.75	9,666.26	11,951.64	14,224.14	23.23%
Other Income	4,632.13	5,420.22	6,551.11	7,405.22	8,365.04	16.22%
Operating Revenue	11,195.12	13,437.97	16,217.37	19,356.86	22,589.18	20.34%
Operating Expenses	4,779.43	6,007.10	6,914.24	7,900.77	9,203.74	19.93%
Operating Profit	6,415.69	7,430.87	9,303.13	11,456.09	13,385.44	20.63%
Provisions and Contingencies	3,027.20	3,188.66	4,123.70	5,238.42	6,027.62	17.20%
Net Profit	3,388.49	4,242.21	5,179.43	6,217.67	7,357.82	23.95%
FINANCIAL RATIOS	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015	
Earnings Per Share (Basic) (in ₹)*	16.59	20.59	23.93	26.51	31.18	
Book Value (in ₹)*	92.55	110.40	141.50	162.69	188.47	
Return on Equity	20.13%	21.22%	20.51%	18.23%	18.57%	
Return on Assets	1.68%	1.68%	1.70%	1.78%	1.83%	
Capital Adequacy Ratio (CAR)	12.65%	13.66%	17.00%	16.07%	15.09%	
Tier - I Capital Adequacy Ratio	9.41%	9.45%	12.23%	12.62%	12.07%	
Dividend Per Share (in ₹)*	2.80	3.20	3.60	4.00	4.60	
Dividend Payout Ratio	19.78%	18.15%	19.06%	17.71%	17.79%	

₹1 Crore = ₹10 Million

* Previous year figures have been adjusted to reflect the effect of sub-division of one equity share of the Bank having nominal value of ₹10 each into 5 equity shares of nominal value ₹2 each

Previous year figures have been re-grouped wherever necessary

HIGHLIGHTS

Profit after tax up 18.34% to ₹7,357.82 crores

Net Interest Income up 19.01% to ₹14,224.14 crores

Other Income up 12.96% to ₹8,365.04 crores

Deposits up 14.77% to ₹322,441.94 crores

Demand Deposits up 14.18% to ₹144,400.30 crores

Advances up 22.17% to ₹281,083.03 crores

Retail Assets up 27.15% to ₹111,932.27 crores

Network of branches and extension counters increased from 2,402 to 2,589

Total number of ATMs stood at 12,355

Earnings per share (Basic) increased from ₹26.51 to ₹31.18

Proposed Dividend up from 200% to 230%

Capital Adequacy Ratio under Basel III stood at 15.09% as against the minimum regulatory norm of 9%

Tier - I Capital Adequacy Ratio under Basel III stood at 12.07%

DIRECTORS' REPORT : 2014-15

The Board of Directors have the pleasure of presenting the Twenty First 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 31st March 2015.

FINANCIAL PERFORMANCE

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

(₹ in crores)

PARTICULARS	2014-15	2013-14	GROWTH
Deposits	322,441.94	280,944.56	14.77%
Out of which			
• Savings Bank Deposits	88,292.08	77,775.94	13.52%
• Current Account Deposits	56,108.22	48,686.40	15.24%
Advances	281,083.03	230,066.76	22.17%
Out of which			
• Retail Advances	111,932.27	88,028.38	27.15%
• Non-retail Advances	169,150.76	142,038.38	19.09%
Total Assets/Liabilities	461,932.39	383,244.89	20.53%
Net Interest Income	14,224.14	11,951.64	19.01%
Other Income	8,365.04	7,405.22	12.96%
Out of which			
• Fee Income	6,778.98	5,985.44	13.26%
• Trading Profit ⁽¹⁾	1,134.94	695.99	63.07%
• Misc. Income	451.12	723.79	(37.67%)
Operating Expenses (excluding depreciation)	8,798.07	7,536.84	16.73%
Profit before Depreciation, Provisions and Tax	13,791.11	11,820.02	16.68%
Depreciation	405.67	363.93	11.47%
Provision for Tax	3,699.01	3,130.96	18.14%
Other Provisions and Write-offs	2,328.61	2,107.46	10.49%
Net Profit	7,357.82	6,217.67	18.34%
Appropriations:			
Transfer to Statutory Reserve	1,839.46	1,554.42	18.34%
Transfer to Investment Reserve	25.49	50.03	(49.05%)
Transfer to Capital Reserve	63.14	38.87	62.44%
Transfer to/(from) Reserve Fund	(1.27)	1.05	(220.95%)
Proposed Dividend	1,308.96	1,101.12	18.88%
Surplus carried over to Balance Sheet	4,122.04	3,472.18	18.72%

⁽¹⁾ Excluding Merchant Exchange Profit

KEY PERFORMANCE INDICATORS	2014-15	2013-14
Interest Income as a percentage of working funds*	8.81%	8.78%
Non-interest Income as a percentage of working funds*	2.08%	2.12%
Net Interest Margin	3.92%	3.81%
Return on Average Net Worth	18.57%	18.23%
Operating Profit as a percentage of working funds*	3.33%	3.28%
Return on Average Assets	1.83%	1.78%
Profit per Employee**	₹17.07 lacs	₹15.42 lacs
Business (Deposits less inter-bank deposits + Advances) per employee**	₹13.71 crores	₹12.30 crores
Net non-performing assets as a percentage of net customer assets***	0.44%	0.40%

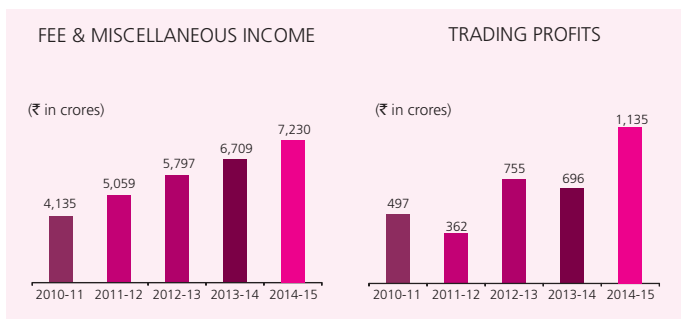
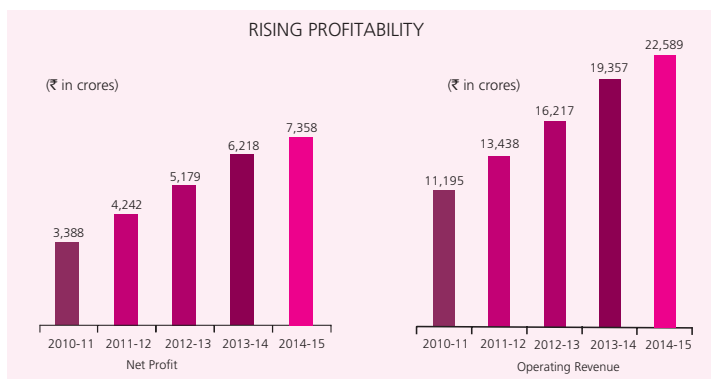
* Working funds represent average total assets

** 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

The Bank continued to show a healthy growth in both business and earnings, with a net profit of ₹7,357.82 crores for the year ended 31st March 2015, registering a growth of 18.34% over the net profit of ₹6,217.67 crores last year. The robust growth in earnings was achieved on the back of a balanced business growth across all banking segments indicative of a clear strategic focus of the Bank. The key return ratios continued to remain healthy, with Return on Equity (ROE) at 18.57% and Return on Assets (ROA) at 1.83%. During the year, the Basic Earnings Per Share (EPS) was ₹31.18.



The Bank's total income increased by 15.24% to reach ₹43,843.64 crores during 2014-15, compared to ₹38,046.38 crores last year. Operating revenue over the same period increased by 16.70% to ₹22,589.18 crores driven by healthy growth in the Bank's core income streams: net interest income (NII), fees and other income. During the year, NII increased by 19.01% to ₹14,224.14 crores from ₹11,951.64 crores last year and constituted 62.97% of the operating revenue. Fee, trading and other income increased by 12.96% to ₹8,365.04 crores from ₹7,405.22 crores last year. The operating expenses

grew by 16.49% to ₹9,203.74 crores from ₹7,900.77 crores last year. As a result, operating profit increased by 16.84% to ₹13,385.44 crores from ₹11,456.09 crores reported last year.

The robust growth in NII for the year 2014-15 was achieved on the back of an expansion in the Balance Sheet size and healthy growth in low-cost Current Account and Savings Bank (CASA) deposits. During the year, total earning assets, on a daily average basis, increased by 15.75% to ₹363,186 crores from ₹313,775 crores last year. A steady growth in low-cost CASA, which on a daily average basis, increased by 14.78% to ₹107,328 crores from ₹93,506 crores last year helped in containing the cost of funds. Overall, the cost of funds for the year was 6.21% compared to 6.24% last year. During the year, the cost of deposits decreased to 6.31% from 6.43% last year, primarily due to a decrease in cost of term deposits by 16 basis points to 8.67% from 8.83% last year. During this period, the yield on earning assets marginally improved to 9.63% from 9.59% last year. As a result, the Net Interest Margin (NIM) improved to 3.92% from 3.81% last year.

Other income comprising fees, trading profit and miscellaneous income increased by 12.96% to ₹8,365.04 crores in 2014-15 from ₹7,405.22 crores last year and constituted 37.03% of the operating revenue of the Bank. Fee income increased by 13.26% to ₹6,778.98 crores from ₹5,985.44 crores last year and remains very well diversified with 38.39% from retail banking, 26.60% from corporate banking and balance contributed by treasury, business banking and SME segments. The Bank earns fee income from a diverse set of products and businesses such as client-based merchant foreign exchange trade, service charges on liability accounts, 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) and fee income from the distribution of third-party personnel investment products. Fee income continues to remain a significant part of the Bank's earnings and constituted 30.01% of its operating revenue. A key factor for the slower growth in fee income has been the slowdown in corporate banking fees due to lack of fresh new investments and projects being undertaken. During the year, proprietary trading profits increased by 63.07% to ₹1,134.94 crores from ₹695.99 crores last year. Miscellaneous income was lower at ₹451.12 crores compared to ₹723.79 crores last year.

As a result, the operating revenue of the Bank increased by 16.70% to ₹22,589.18 crores from ₹19,356.86 crores last year. The core income streams (NII, fee and miscellaneous income) now constitute 94.15% of the operating revenue, reflecting the stability and sustainability of the Bank's earnings. The Bank continued to focus on reducing transaction costs besides ensuring smoothness in operations and increasing productivity. The operating expenses increased by 16.49% to ₹9,203.74 crores from