

NOTES

forming part of the consolidated financial statements for the year ended 31 March, 2016

(Currency: In Indian Rupees)

- The shareholders of the Bank at the 20th Annual General Meeting held on 27 June, 2014, approved the sub-division (split) of one equity share of the Bank from nominal value of ₹10/- each into five equity shares of nominal value of ₹2/- each. The record date for the sub-division was 30 July, 2014. All shares, stock options and per share information in the financial statements reflect the effect of sub-division (split) retrospectively for the earlier reporting periods.

2 Other disclosures

2.1.1 'Provisions and contingencies' recognised in the Profit and Loss Account comprise of:

	(₹ in crores)	
For the year ended	31 March, 2016	31 March, 2015
Provision for income tax		
- Current tax	4,406.18	3,987.93
- Deferred tax (Refer 2.1.11)	(73.80)	(153.17)
	4,332.38	3,834.76
Provision for wealth tax	(0.05)	0.93
Provision for non-performing assets (including bad debts written off and write backs)	3,800.46	1,788.61
Provision for restructured assets/strategic debt restructuring	(61.78)	(81.88)
Provision towards standard assets	395.70	292.75
Provision for depreciation in value of investments	84.11	(50.98)
Provision for unhedged foreign currency exposure	1.62	133.66
Provision for other contingencies*	(501.40)	248.05
Total	8,051.04	6,165.90

* includes contingent provision for advances/other exposures, legal cases and other contingencies.

2.1.2 During the year ended 31 March, 2016, the Bank raised subordinated debt of ₹1,500 crores, the details of which are set out below:

Date of maturity	Period	Coupon	Amount
30 September, 2025	120 months	8.50%	₹1,500 crores

During the year ended 31 March, 2015, the Bank raised subordinated debt of ₹850 crores, the details of which are set out below:

Date of maturity	Period	Coupon	Amount
12 February, 2025	120 months	8.45%	₹850 crores

During the year ended 31 March, 2016, the Bank redeemed subordinated debt of ₹370 crores, the details of which are set out below:

Date of maturity	Period	Coupon	Amount
22 March, 2016	120 months	8.75%	₹360 crores
22 March, 2016	120 months	8.56%	₹10 crores

The Bank has not redeemed subordinated debt during the year ended 31 March, 2015.

2.1.3 The Bank has not raised any hybrid capital during the years ended 31 March, 2016 and 31 March, 2015.

2.1.4 Earnings Per Share ('EPS')

The details of EPS computation is set out below:

As at	31 March, 2016	31 March, 2015
Basic and Diluted earnings for the year (Net profit after tax) (₹ in crores)	8,349.67	7,447.90
Basic weighted average no. of shares (in crores)	237.73	235.98
Add: Equity shares for no consideration arising on grant of stock options under ESOP (in crores)	1.30	2.53
Diluted weighted average no. of shares (in crores)	239.03	238.51
Basic EPS (₹)	35.12	31.56
Diluted EPS (₹)	34.93	31.23
Nominal value of shares (₹)	2.00	2.00

Dilution of equity is on account of 13,010,331 (previous year 25,286,978) stock options.

2.1.5 Employee Stock Options Scheme ('the Scheme')

In February 2001, pursuant to the approval of the shareholders at the Extraordinary General Meeting, the Bank approved an Employee Stock Option Scheme. Under the Scheme, the Bank is authorised to issue upto 65,000,000 equity shares to eligible employees. Eligible employees are granted an option to purchase shares subject to vesting conditions. Further, over the period June 2004 to July 2013, pursuant to the approval of the shareholders at Annual General Meetings, the Bank approved an ESOP scheme for additional options aggregating 175,087,000. The options vest in a graded manner over 3 years. The options can be exercised within three/five years from the date of the vesting as the case may be. Within the overall ceiling of 240,087,000 stock options approved for grant by the shareholders as stated earlier, the Bank is also authorised to issue options to employees and directors of the subsidiary companies.

231,975,450 options have been granted under the Scheme till the previous year ended 31 March, 2015.

On 29 April, 2015, the Bank granted 6,844,500 stock options (each option representing entitlement to one equity share of the Bank) to its eligible employees/directors of the Bank/ subsidiary companies at a price of ₹535.00 per option.

On 10 September, 2015, the Bank granted 300,000 stock options (each option representing entitlement to one equity share of the Bank) to one of its Whole Time Directors at a price of ₹486.25 per option.

Stock option activity under the Scheme for the year ended 31 March, 2016 is set out below:

	Options outstanding	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	41,829,791	100.65 to 306.54	269.17	3.13
Granted during the year	7,144,500	486.25 to 535.00	532.95	-
Forfeited during the year	(970,750)	100.65 to 535.00	350.00	-
Expired during the year	(166,604)	100.65 to 289.51	218.92	-
Exercised during the year	(12,309,627)	100.65 to 306.54	248.05	-
Outstanding at the end of the year	35,527,310	217.33 to 535.00	327.56	3.33
Exercisable at the end of the year	19,856,810	217.33 to 306.54	268.07	1.74

The weighted average share price in respect of options exercised during the year was ₹495.51.

NOTES (CONT.)

Stock option activity under the Scheme for the year ended 31 March, 2015 is set out below:

	Options outstanding	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	54,227,780	100.65 to 289.51	244.45	2.44
Granted during the year	9,922,500	306.54	306.54	-
Forfeited during the year	(293,290)	100.65 to 306.54	253.57	-
Expired during the year	(727,765)	100.65 to 242.96	209.14	-
Exercised during the year	(21,299,434)	100.65 to 289.51	225.90	-
Outstanding at the end of the year	41,829,791	100.65 to 306.54	269.17	3.13
Exercisable at the end of the year	21,204,291	100.65 to 289.51	256.34	1.57

The weighted average share price in respect of options exercised during the year was ₹444.13.

Fair Value Methodology

On applying the fair value based method in Guidance Note on 'Accounting for Employee Share-based Payments' the impact on reported net profit and EPS would be as follows:

	31 March, 2016	31 March, 2015
Net Profit (as reported) (₹ in crores)	8,349.67	7,447.90
Add: Stock based employee compensation expense included in net income (₹ in crores)	-	-
Less: Stock based employee compensation expense determined under fair value based method (proforma) (₹ in crores)	(103.06)	(90.26)
Net Profit (Proforma) (₹ in crores)	8,246.61	7,357.64
Earnings per share: Basic (in ₹)		
As reported	35.12	31.56
Proforma	34.69	31.18
Earnings per share: Diluted (in ₹)		
As reported	34.93	31.23
Proforma	34.51	30.87

The fair value of the options is estimated on the date of the grant using the Black-Scholes options pricing model, with the following assumptions:

	31 March, 2016	31 March, 2015
Dividend yield	1.40%	1.32%
Expected life	2.57-4.57 years	2.57-4.57 years
Risk free interest rate	7.61% to 7.78%	8.62% to 8.78%
Volatility	34.85% to 36.51%	35.77% to 38.01%

Volatility is the measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in the Black-Scholes options pricing model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. For calculating volatility, the daily volatility of the stock prices on the National Stock Exchange, over a period prior to the date of grant, corresponding with the expected life of the options has been considered.

The weighted average fair value of options granted during the year ended 31 March, 2016 is ₹178.22 (previous year ₹109.72).

2.1.6 Proposed Dividend

The Board of Directors, in their meeting held on 26 April, 2016 have proposed a final dividend of ₹5.00 per equity share amounting to ₹1,404.61 crore, inclusive of corporate dividend tax. The proposal is subject to the approval of shareholders at the Annual General Meeting. In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated 30 March, 2016 proposed dividend is not recognised as a liability as on 31 March, 2016. Accordingly, the balance of Reserves and Surplus is higher by ₹1,404.61 crores (including corporate dividend tax) and the balance of Other Liabilities is lower by an equivalent amount as on 31 March, 2016.

Appropriation to proposed dividend during the year ended 31 March, 2016 represents dividend of ₹2.81 crores (previous year ₹3.41 crores) paid pursuant to exercise of employee stock options after the previous year end but before the record date for declaration of dividend for the year ended 31 March, 2015.

2.1.7 Segmental reporting

The business of the Bank is divided into four segments: Treasury, Retail Banking, Corporate/Wholesale Banking and Other Banking Business. These segments have been identified and based on RBI's revised guidelines on Segment Reporting issued on 18 April, 2007 vide Circular No. DBOD.No.BPBC.81/21.04.018/2006-07. The principal activities of these segments are as under:

Segment	Principal Activities
Treasury	Treasury operations include investments in sovereign and corporate debt, equity and mutual funds, trading operations, derivative trading and foreign exchange operations on the proprietary account and for customers. The Treasury segment also includes the central funding unit.
Retail Banking	Constitutes lending to individuals/small businesses through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Retail Banking activities also include liability products, card services, internet banking, mobile banking, ATM services, depository, financial advisory services and NRI services.
Corporate/Wholesale Banking	Includes corporate relationships not included under Retail Banking, corporate advisory services, placements and syndication, project appraisals, capital market related services and cash management services.
Other Banking Business	Includes para banking activities like third party product distribution and other banking transactions not covered under any of the above three segments.

Business segments in respect of operations of the subsidiaries have been identified and reported taking into account the customer profile, the nature of product and services and the organisation structure.

Revenues of the Treasury segment primarily consist of fees and gains or losses from trading operations and interest income on the investment portfolio. The principal expenses of the segment consist of interest expense on funds borrowed from external sources and other internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses.

Revenues of the Corporate/Wholesale Banking segment consist of interest and fees earned on loans given to customers falling under this segment and fees arising from transaction services and merchant banking activities such as syndication and debenture trusteeship. Revenues of the Retail Banking segment are derived from interest earned on loans classified under this segment and fees for banking and advisory services, ATM interchange fees and cards products. Expenses of the Corporate/Wholesale Banking and Retail Banking segments primarily comprise interest expense on deposits and funds borrowed from other internal segments, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses.

Segment income includes earnings from external customers and from funds transferred to the other segments. Segment result includes revenue as reduced by interest expense and operating expenses and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Inter segment interest income and interest expense represent the transfer price received from and paid to the Central Funding Unit (CFU) respectively. For this purpose, the funds transfer pricing mechanism presently followed by the Bank, which is based on historical matched maturity and internal benchmarks, has been used. Operating expenses other than those directly attributable to segments are allocated to the segments based on an activity-based costing methodology. All activities in the Bank are segregated segment-wise and allocated to the respective segment.

NOTES (CONT.)

Segmental results are set out below:

(₹ in crores)

	31 March, 2016				
	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Total
Segment Revenue					
Gross interest income (external customers)	11,223.76	15,664.85	14,520.61	0.03	41,409.25
Other income	2,526.88	3,543.79	2,802.26	1,082.05	9,954.98
Total income as per Profit and Loss Account	13,750.64	19,208.64	17,322.87	1,082.08	51,364.23
Add/(less) inter segment interest income	46,475.49	4,816.81	16,769.97	-	68,062.27
Total segment revenue	60,226.13	24,025.45	34,092.84	1,082.08	119,426.50
Less: Interest expense (external customers)	11,581.63	688.24	12,074.37	-	24,344.24
Less: Inter segment interest expense	44,734.13	11,743.24	11,584.76	0.14	68,062.27
Less: Operating expenses	401.76	2,725.83	7,159.04	324.74	10,611.37
Operating profit	3,508.61	8,868.14	3,274.67	757.20	16,408.62
Less: Provision for non-performing assets/others*	189.97	3,014.39	514.29	-	3,718.65
Segment result	3,318.64	5,853.75	2,760.38	757.20	12,689.97
Less: Provision for tax					4,332.38
Net Profit before minority interest and earnings from Associate					8,357.59
Less: Minority Interest					7.92
Add: Share of Profit in Associate					-
Extraordinary profit/loss					-
Net Profit					8,349.67
Segment assets	174,853.29	197,317.53	156,752.54	677.50	529,600.86
Unallocated assets					2,432.35
Total assets					532,033.21
Segment liabilities	171,790.45	93,135.46	213,406.72	84.98	478,417.61
Unallocated liabilities ⁽¹⁾					56.84
Total liabilities					478,474.45
Net assets	3,062.84	104,182.07	(56,654.18)	592.52	53,558.76
Capital Expenditure for the year	60.37	418.83	874.63	29.84	1,383.67
Depreciation on fixed assets for the year	21.03	140.53	288.42	11.41	461.39

(1) Includes minority interest of ₹39.05 crores

* represents material non-cash items other than depreciation

(₹ in crores)

	31 March, 2015				Total
	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	
Segment Revenue					
Gross interest income (external customers)	9,631.37	14,021.28	12,074.81	-	35,727.46
Other income	2,236.04	3,469.30	2,247.82	884.95	8,838.11
Total income as per Profit and Loss Account	11,867.41	17,490.58	14,322.63	884.95	44,565.57
Add/(less) inter segment interest income	39,936.35	4,209.43	14,070.80	-	58,216.58
Total segment revenue	51,803.76	21,700.01	28,393.43	884.95	102,782.15
Less: Interest expense (external customers)	10,296.55	545.78	10,498.93	-	21,341.26
Less: Inter segment interest expense	38,016.17	10,505.60	9,694.81	-	58,216.58
Less: Operating expenses	393.23	2,447.12	6,536.18	233.40	9,609.93
Operating profit	3,097.81	8,201.51	1,663.51	651.55	13,614.38
Less: Provision for non-performing assets/others*	13.36	1,861.60	455.25	0.93	2,331.14
Segment result	3,084.45	6,339.91	1,208.26	650.62	11,283.24
Less: Provision for tax					3,834.76
Net Profit before minority interest and earnings from Associate					7,448.48
Less: Minority Interest					1.94
Add: Share of Profit in Associate					1.36
Extraordinary profit/loss					-
Net Profit					7,447.90
Segment assets	170,594.43	165,774.84	127,984.63	655.52	465,009.42
Unallocated assets					2,233.55
Total assets					467,242.97
Segment liabilities	155,708.13	80,846.22	184,273.04	98.02	420,925.41
Unallocated liabilities ⁽¹⁾					1,367.97
Total liabilities					422,293.38
Net assets	14,886.30	84,928.62	(56,288.41)	557.50	44,949.59
Capital Expenditure for the year	13.31	161.16	350.08	10.45	535.00
Depreciation on fixed assets for the year	11.30	127.77	273.28	7.29	419.64

(1) Includes minority interest of ₹31.14 crores

* represents material non-cash items other than depreciation

Geographic Segments

(₹ in crores)

	Domestic		International		Total	
	31 March, 2016	31 March, 2015	31 March, 2016	31 March, 2015	31 March, 2016	31 March, 2015
Revenue	48,466.41	41,868.17	2,897.82	2,697.40	51,364.23	44,565.57
Assets	474,750.57	415,884.38	57,282.64	51,358.59	532,033.21	467,242.97
Capital Expenditure for the year	1,378.32	532.65	5.35	2.35	1,383.67	535.00
Depreciation on fixed assets for the year	452.92	411.61	8.47	8.03	461.39	419.64

NOTES (CONT.)

2.1.8 Related party disclosure

The related parties of the Group are broadly classified as:

a) Promoters

The Bank has identified the following entities as its Promoters.

- Administrator of the Specified Undertaking of the Unit Trust of India (SUUTI)
- Life Insurance Corporation of India (LIC)
- General Insurance Corporation and four Government-owned general insurance companies – New India Assurance Co. Limited, National Insurance Co. Limited, United India Insurance Co. Limited and The Oriental Insurance Co. Limited

b) Key Management Personnel

- Mrs. Shikha Sharma (Managing Director & Chief Executive Officer)
- Mr. V. Srinivasan (Deputy Managing Director)
- Mr. Sanjeev K. Gupta [Executive Director (Corporate Centre) upto 18 March, 2016]

c) Relatives of Key Management Personnel

Mr. Sanjaya Sharma, Mrs. Usha Bharadwaj, Mr. Tilak Sharma, Ms. Tvisha Sharma, Dr. Sanjiv Bharadwaj, Dr. Prashant Bharadwaj, Dr. Brevis Bharadwaj, Dr. Reena Bharadwaj, Mrs. Gayathri Srinivasan, Mrs. Vanjulam Varadarajan, Mr. V. Satish, Mrs. Camy Satish, Ms. Ananya Srinivasan, Ms. Anagha Srinivasan, Ms. Geetha N., Ms. Chitra R., Ms. Sumathi N., Mr. S. Ranganathan, Mr. R. Narayan, Mr. S. Narayanan, Mrs. Poonam Gupta, Mr. Somya Gupta, Mr. Shubham Gupta, Mr. Rajeev Agarwal and Mr. Deepak Kumar Gupta.

The significant transactions between the Bank and related parties during the year ended 31 March, 2016 and 31 March, 2015 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

- Dividend paid: Administrator of The Specified Undertaking of the Unit Trust of India ₹126.43 crores (previous year ₹109.94 crores), Life Insurance Corporation of India ₹130.91 crores (previous year ₹127.35 crores)
- Interest paid: Administrator of The Specified Undertaking of the Unit Trust of India ₹70.97 crores (previous year ₹41.75 crores) and Life Insurance Corporation of India ₹530.85 crores (previous year ₹744.04 crores)
- Interest received: Life Insurance Corporation of India ₹0.37 crores (previous year ₹0.04 crores) and New India Assurance Company Ltd. ₹0.01 crores (previous year ₹0.01 crores)
- Investment of related party in bonds of the Bank: Life Insurance Corporation of India Nil (previous year ₹500.00 crores)
- Investment of related party in the Bank: Mrs. Shikha Sharma ₹16.08 crores (previous year ₹22.65 crores), Mr. V. Srinivasan ₹11.52 crores (previous year ₹6.81 crores) and Mr. Sanjeev K. Gupta ₹11.43 crores (previous year ₹3.25 crores)
- Redemption of subordinated debt: Life Insurance Corporation of India ₹50.00 crores (previous year Nil)
- Sale of Investments: General Insurance Corporation of India ₹195.00 crores (previous year ₹211.06 crores), New India Assurance Company Ltd. Nil (previous year ₹50.00 crores), National Insurance Company Ltd. ₹80.12 crores (previous year ₹222.34 crores), United India Insurance Company Ltd. ₹50.00 crores (previous year ₹120.02 crores)

- Management Contracts: Mrs. Shikha Sharma ₹5.37 crores (previous year ₹4.18 crores), Mr. V. Srinivasan ₹3.39 crores (previous year ₹2.46 crores) and Mr. Sanjeev K. Gupta ₹4.41 crores (previous year ₹0.84 crores)
- Contribution to employee benefit fund: Life Insurance Corporation of India ₹15.67 crores (previous year ₹16.04 crores)
- Placement of Deposit by the Bank: Life Insurance Corporation of India ₹0.08 crores (previous year ₹0.14 crores)
- Non-funded commitments (net): Life Insurance Corporation of India Nil (previous year ₹0.01 crores) and National Insurance Company Ltd. ₹0.07 crores (previous year Nil)
- Advance granted (net): Life Insurance Corporation of India Ltd. ₹1.05 crores (previous year ₹0.04 crores)
- Advance repaid: Mrs. Shikha Sharma ₹0.04 crores (previous year ₹0.04 crores) and Mr. Sanjeev K. Gupta ₹0.62 crores (previous year ₹0.03 crores)
- Receiving of services: Oriental Insurance Company Ltd. ₹57.88 crores (previous year ₹61.47 crores), New India Assurance Company Ltd. ₹14.39 crores (previous year ₹8.28 crores)
- Rendering of services: Life Insurance Corporation of India ₹2.03 crores (previous year ₹1.81 crores), Oriental Insurance Company Ltd. ₹0.47 crores (previous year ₹0.06 crores) and New India Assurance Company Ltd. ₹0.26 crores (previous year ₹0.31 crores)
- Other reimbursement to related party: Life Insurance Corporation of India ₹0.40 crores (previous year ₹0.37 crores)

The details of transactions of the Bank with its related parties during the year ended 31 March, 2016 are given below:

(₹ in crores)

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Total
Dividend paid	299.18	0.40	-	299.58
Interest paid	644.89	0.07	0.32	645.28
Interest received	0.38	0.03	-	0.41
Investment of related party in the Bank	-	39.03	-	39.03
Redemption of Subordinated Debt	50.00	-	-	50.00
Purchase of investments	-	-	-	-
Sale of investments	325.12	-	-	325.12
Management contracts	-	13.18	-	13.18
Contribution to employee benefit fund	15.67	-	-	15.67
Purchase of fixed assets	-	-	-	-
Sale of fixed assets	-	-	-	-
Placement of deposits	0.08	-	-	0.08
Non-funded commitments (net)	0.05	-	-	0.05
Advance granted (net)	1.05	-	-	1.05
Advance repaid	-	0.66	-	0.66
Receiving of services	79.24	-	-	79.24
Rendering of services	2.76	0.03	-	2.79
Other reimbursements from related party	-	-	-	-
Other reimbursements to related party	0.40	-	-	0.40

NOTES (CONT.)

The balances payable to/receivable from the related parties of the Bank as on 31 March, 2016 are given below:
(₹ in crores)

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings from the Bank	-	-	-	-
Deposits with the Bank	7,839.14	1.03	1.97	7,842.14
Placement of deposits	0.38	-	-	0.38
Advances	12.89	0.37	0.03	13.29
Investment of related party in the Bank	141.68	0.28	-	141.96
Non-funded commitments	3.17	-	-	3.17
Investment of related party in Subordinated Debt/Hybrid Capital/Bonds of the Bank	3,320.00	-	-	3,320.00
Payable under management contracts	-	1.37	-	1.37
Other receivables (net)	-	-	-	-
Other payables (net)	-	-	-	-

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March, 2016 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings from the Bank	-	-	-	-
Deposits with the Bank	12,103.47	9.76	10.21	12,123.44
Placement of deposits	0.41	-	-	0.41
Advances	19.91	0.99	0.09	20.99
Investment of related party in the Bank	143.43	0.28	-	143.71
Non-funded commitments	3.19	-	-	3.19
Investment of related party in Subordinated Debt/Hybrid Capital/Bonds of the Bank	3,370.00	-	-	3,370.00
Payable under management contracts	-	1.64	-	1.64
Other receivables (net)	-	-	-	-
Other payables (net)	-	-	-	-

The details of transactions of the Bank with its related parties during the year ended 31 March, 2015 are given below:

(₹ in crores)

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Total
Dividend paid	275.28	0.28	-	275.56
Interest paid	810.09	0.30	0.28	810.67
Interest received	0.05	0.12	-	0.17
Investment of related party in the Bank	-	39.74	-	39.74
Investment of related party in Subordinated Debt/Hybrid Capital/Bonds of the Bank	550.00	-	-	550.00
Redemption of Subordinated Debt	-	-	-	-
Purchase of investments	-	-	-	-
Sale of investments	658.93	-	-	658.93
Management contracts	-	11.99	-	11.99
Contribution to employee benefit fund	16.04	-	-	16.04
Purchase of fixed assets	-	-	-	-
Sale of fixed assets	-	-	-	-
Placement of deposits	0.14	-	-	0.14
Non-funded commitments (net)	0.08	-	-	0.08
Advance granted (net)	0.04	-	-	0.04
Advance repaid	-	0.23	-	0.23
Receiving of services	78.43	-	-	78.43
Rendering of services	2.18	-	-	2.18
Other reimbursements from related party	-	-	-	-
Other reimbursements to related party	0.37	-	-	0.37

The balances payable to/receivable from the related parties of the Bank as on 31 March, 2015 are given below:

(₹ in crores)

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings from the Bank	-	-	-	-
Deposits with the Bank	8,347.06	1.78	4.52	8,353.36
Placement of deposits	0.30	-	-	0.30
Advances	1.02	0.77	0.02	1.81
Investment of related party in the Bank	132.42	0.17	-	132.59
Non-funded commitments	3.12	-	-	3.12
Investment of related party in Subordinated Debt/Hybrid Capital/Bonds of the Bank	3,370.00	-	-	3,370.00
Payable under management contracts	-	0.90	-	0.90
Other receivables (net)	-	-	-	-
Other payables (net)	-	-	-	-

NOTES (CONT.)

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March, 2015 are given below:

Items/Related Party	(₹ in crores)			
	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings from the Bank	-	-	-	-
Deposits with the Bank	13,937.88	15.50	6.61	13,959.99
Placement of deposits	0.30	-	-	0.30
Advances	50.43	1.61	-	52.04
Investment of related party in the Bank	138.78	0.17	-	138.95
Non-funded commitments	3.13	-	-	3.13
Investment of related party in Subordinated Debt/Hybrid Capital/Bonds of the Bank	3,370.00	-	-	3,370.00
Payable under management contracts	-	0.90	-	0.90
Other receivables (net)	-	-	-	-
Other payables (net)	-	-	-	-

2.1.9 Leases

Disclosure in respect of assets taken on operating lease

This comprise of office premises/ATMs, cash deposit machines, electronic data capturing machines and IT equipment.

	(₹ in crores)	
	31 March, 2016	31 March, 2015
Future lease rentals payable as at the end of the year:		
- Not later than one year	672.00	630.57
- Later than one year and not later than five years	2,136.83	2,003.87
- Later than five years	1,280.66	997.41
Total of minimum lease payments recognised in the Profit and Loss Account for the year	511.36	667.43

There are no provisions relating to contingent rent.

The terms of renewal/purchase options and escalation clauses are those normally prevalent in similar agreements.

There are generally no undue restrictions or onerous clauses in the agreements.

2.1.10 Other Fixed Assets (including furniture & fixtures)

The movement in fixed assets capitalised as application software is given below:

Particulars	(₹ in crores)	
	31 March, 2016	31 March, 2015
At cost at the beginning of the year	741.94	610.08
Additions during the year	148.17	132.03
Deductions during the year	(2.97)	(0.16)
Accumulated depreciation as at 31 March	(582.79)	(478.13)
Closing balance as at 31 March	304.35	263.82
Depreciation charge for the year	107.57	86.47

2.1.11 The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under:

(₹ in crores)

As at	31 March, 2016	31 March, 2015
Deferred tax assets on account of provisions for doubtful debts	1,715.49	1,385.48
Deferred tax assets on account of amortisation of HTM investments	26.33	37.70
Deferred tax assets on account of provision for employee benefits	74.25	75.99
Deferred tax assets on account of other items	327.50	441.19
Deferred tax assets	2,143.57	1,940.36
Deferred tax liability on account of depreciation on fixed assets	48.64	45.90
Deferred tax liabilities on account of other items	126.69	0.02
Deferred tax liabilities	175.33	45.92
Net deferred tax asset	1,968.24	1,894.44

2.1.12 Employee Benefits

Group

Provident Fund

The contribution to the employee's provident fund (including Employee Pension Scheme) of the Group amounted to ₹130.35 crores for the year ended 31 March, 2016 (previous year ₹118.57 crores).

Axis Bank Ltd.

The rules of the Bank's Provident Fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Bank. Based on an actuarial valuation conducted by an independent actuary, there is no deficiency as at the Balance Sheet date for the Bank.

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the Balance Sheet for the Provident Fund benefit plan.

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees)

(₹ in crores)

	31 March, 2016	31 March, 2015
Current Service Cost	65.55	67.98
Interest on Defined Benefit Obligation	99.45	95.04
Expected Return on Plan Assets	(117.69)	(97.25)
Net Actuarial Losses/(Gains) recognised in the year	18.25	2.21
Total included in "Employee Benefit Expense" [Schedule 16(I)]	65.56	67.98
Actual Return on Plan Assets	99.04	93.26

Balance Sheet

Details of provision for provident fund

(₹ in crores)

	31 March, 2016	31 March, 2015
Fair Value of Plan Assets	1,437.90	1,240.83
Present Value of Funded Obligations	(1,437.90)	(1,240.83)
Net Asset	-	-
Amounts in Balance Sheet		
Liabilities	-	-
Assets	-	-
Net Asset (included under Schedule 11 – Other Assets)	-	-

NOTES (CONT.)

Changes in the present value of the defined benefit obligation are as follows:

(₹ in crores)

	31 March, 2016	31 March, 2015
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	1,240.83	1,013.25
Current Service Cost	65.55	67.98
Interest Cost	99.45	95.04
Actuarial Losses/(Gains)	12.08	(1.78)
Employees Contribution	160.81	152.02
Liability transferred from/to other companies	(11.96)	0.71
Benefits Paid	(128.86)	(86.39)
Closing Defined Benefit Obligation	1,437.90	1,240.83

Changes in the fair value of plan assets are as follows:

(₹ in crores)

	31 March, 2016	31 March, 2015
Change in the Fair Value of Assets		
Opening Fair Value of Plan Assets	1,240.83	1,013.25
Expected Return on Plan Assets	117.69	97.25
Actuarial Gains/(Losses)	(6.16)	(3.99)
Employer contribution during the period	65.55	67.98
Employee contribution during the period	160.81	152.02
Assets transferred from/to other companies	(11.96)	0.71
Benefits Paid	(128.86)	(86.39)
Closing Fair Value of Plan Assets	1,437.90	1,240.83

Experience adjustments*

(₹ in crores)

	31 March, 2016	31 March, 2015	31 March, 2014
Defined Benefit Obligations	1,437.90	1,240.83	1,013.25
Plan Assets	1,437.90	1,240.83	1,013.25
Surplus/(Deficit)	-	-	-
Experience Adjustments on Plan Liabilities	12.08	(1.78)	53.03
Experience Adjustments on Plan Assets	(6.16)	(3.99)	41.42

* information provided to the extent available with the Bank

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets

	31 March, 2016 %	31 March, 2015 %
Government securities	53.04	52.84
Bonds, debentures and other fixed income instruments	30.74	30.13
Equity shares	-	12.15
Others	16.22	4.88

Principal actuarial assumptions at the balance sheet date:

	31 March, 2016	31 March, 2015
Discount rate for the term of the obligation	7.95%	8.00%
Average historic yield on the investment portfolio	9.01%	9.01%
Discount rate for the remaining term to maturity of the investment portfolio	7.94%	7.89%
Expected investment return	9.02%	9.12%
Guaranteed rate of return	8.75%	8.75%

Superannuation

The Bank contributed ₹15.61 crores to the employee's superannuation plan for the year ended 31 March, 2016 (previous year ₹15.99 crores).

Group

Leave Encashment

The actuarial liability of compensated absences of accumulated privileged leave of the employees of the Group is given below:

(₹ in crores)

	As at 31 March, 2016				
	Axis Bank Ltd.	Axis Capital Ltd.	Axis Securities Ltd.	Axis Asset Management Company Ltd.	Axis Finance Ltd.
Actuarial liability – Privilege Leave	209.10	0.11	0.17	0.41	0.13
Total Expense included under Schedule 16 (I)	16.71	-*	(0.27)	0.12	0.09
Assumptions					
Discount rate	7.95% p.a.	7.85% p.a.	7.20% p.a.	8.00% p.a.	7.96% p.a.
Salary escalation rate	7.00% p.a.	7.00% p.a.	7.00% p.a.	9.00% p.a.	7.00% p.a.

*less than ₹50,000

(₹ in crores)

	As at 31 March, 2015				
	Axis Bank Ltd.	Axis Capital Ltd.	Axis Securities Ltd.	Axis Asset Management Company Ltd.	Axis Finance Ltd.
Actuarial liability – Privilege Leave	210.76	0.11	0.09	0.31	0.10
Total Expense included under Schedule 16 (I)	66.35	-*	0.61	0.31	0.07
Assumptions					
Discount rate	8.00% p.a.	7.92% p.a.	8.25% p.a.	7.76% p.a.	7.95% p.a.
Salary escalation rate	7.00% p.a.	7.00% p.a.	7.00% p.a.	9.00% p.a.	7.00% p.a.

*less than ₹50,000

NOTES (CONT.)

Group

Gratuity

The following tables summarize the components of net benefit expenses recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet for the Gratuity benefit plan.

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees)

	(₹ in crores)	
	31 March, 2016	31 March, 2015
Current Service Cost	31.68	26.19
Interest on Defined Benefit Obligation	18.94	16.69
Expected Return on Plan Assets	(16.42)	(12.56)
Net Actuarial Losses/(Gains) recognised in the year	9.51	20.56
Past Service Cost	-	-
Total included in "Employee Benefit Expense" [Schedule 16(I)]	43.71	50.88
Actual Return on Plan Assets	11.14	13.87

Balance Sheet

Details of provision for gratuity

	(₹ in crores)	
	31 March, 2016	31 March, 2015
Present Value of Funded Obligations	(244.85)	(218.42)
Present Value of un-funded Obligations	(1.99)	(1.53)
Fair Value of Plan Assets	243.00	219.26
Net (Liability)/Asset	(3.84)	(0.69)
Amounts in Balance Sheet		
Liabilities (included under Schedule 5 – Other Liabilities)	(3.85)	(3.22)
Assets (included under Schedule 11 – Other Assets)	0.01	2.53
Net (Liability)/Asset	(3.84)	(0.69)

Changes in the present value of the defined benefit obligation are as follows:

	(₹ in crores)	
	31 March, 2016	31 March, 2015
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	219.95	168.99
Current Service Cost	31.68	26.19
Interest Cost	18.94	16.69
Actuarial Losses/(Gains)	4.23	21.17
Past Service Cost	-	-
Liabilities transferred in	-	-
Benefits Paid	(27.96)	(13.09)
Closing Defined Benefit Obligation	246.84	219.95

Changes in the fair value of plan assets are as follows:

(₹ in crores)

	31 March, 2016	31 March, 2015
Opening Fair Value of Plan Assets	219.26	171.76
Expected Return on Plan Assets	16.42	12.56
Actuarial Gains/(Losses)	(5.28)	0.61
Contributions by Employer	40.38	47.31
Benefits Paid	(27.78)	(12.98)
Closing Fair Value of Plan Assets	243.00	219.26

Experience adjustments

(₹ in crores)

	31 March, 2016	31 March, 2015	31 March, 2014	31 March, 2013	31 March, 2012
Defined Benefit Obligations	246.84	219.95	168.99	147.25	94.82
Plan Assets	243.00	219.26	171.76	152.17	98.21
Surplus/(Deficit)	(3.84)	(0.69)	2.77	4.92	3.39
Experience Adjustments on Plan Liabilities	2.98	0.76	7.45	4.66	27.31
Experience Adjustments on Plan Assets	(5.28)	1.39	2.30	2.07	0.48

Axis Bank Ltd.

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets

	31 March, 2016 %	31 March, 2015 %
Government securities	49.15	39.17
Bonds, debentures and other fixed income instruments	39.34	41.35
Money market instruments	5.69	6.37
Equity shares	2.62	1.18
Others	3.20	11.93

Principal actuarial assumptions at the balance sheet date:

	31 March, 2016	31 March, 2015
Discount Rate	7.95% p.a.	8.00% p.a.
Expected rate of Return on Plan Assets	7.50% p.a.	7.50% p.a.
Salary Escalation Rate	7.00% p.a.	7.00% p.a.
Employee Turnover		
- 21 to 30 (age in years)	19.00%	19.00%
- 31 to 44 (age in years)	8.00%	8.00%
- 45 to 59 (age in years)	4.00%	4.00%

The estimates of future salary increases considered take into account the inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the plan during the annual period beginning after the balance sheet date is based on various internal/external factors, a best estimate of the contribution is not determinable.

NOTES (CONT.)

The above information is as certified by the actuary and relied upon by the auditors.

Axis Capital Ltd.

	31 March, 2016	31 March, 2015
The major categories of plan assets* as a percentage of fair value of total plan assets – Insurer Managed Funds	100.00	100.00

*composition of plan assets is not available

	31 March, 2016	31 March, 2015
Principal actuarial assumptions at the balance sheet date:		
Discount Rate	7.85% p.a.	7.92% p.a.
Expected rate of Return on Plan Assets	7.85% p.a.	7.92% p.a.
Salary Escalation Rate	7.00% p.a.	7.00% p.a.
Employee Turnover	7.00%	7.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The Company expects to contribute ₹0.26 crores as gratuity in the year 2016-17 (previous year ₹0.89 crores).

Axis Asset Management Company Ltd.

	31 March, 2016	31 March, 2015
Principal actuarial assumptions at the balance sheet date:		
Discount Rate	8.00% p.a.	7.76% p.a.
Expected rate of Return on Plan Assets	N.A.	N.A.
Salary Escalation Rate	9.00% p.a.	9.00% p.a.
Employee Turnover	10.00%	10.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Axis Securities Ltd.

	31 March, 2016	31 March, 2015
The major categories of plan assets* as a percentage of fair value of total plan assets – Insurer Managed Funds	100.00	100.00

*composition of plan assets is not available

	31 March, 2016	31 March, 2015
Principal actuarial assumptions at the balance sheet date:		
Discount Rate	7.20% p.a.	8.25% p.a.
Expected rate of Return on Plan Assets	7.20% p.a.	7.50% p.a.
Salary Escalation Rate	7.00% p.a.	7.00% p.a.
Employee Turnover	7.00%	7.00%

The estimates of future salary increases considered take into account the inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

The Company expects to contribute ₹1.00 crore as gratuity in the year 2016-17 (previous year ₹1.00 crores).

Axis Finance Ltd.

	31 March, 2016	31 March, 2015
The major categories of plan assets* as a percentage of fair value of total plan assets – Insurer Managed Funds	100.00	100.00

*composition of plan assets is not available

	31 March, 2016	31 March, 2015
Principal actuarial assumptions at the balance sheet date:		
Discount Rate	7.96% p.a.	7.97% p.a.
Expected rate of Return on Plan Assets	7.96% p.a.	7.97% p.a.
Salary Escalation Rate	7.00% p.a.	7.00% p.a.
Employee Turnover	5.00%	5.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Axis Trustee Services Ltd.

	31 March, 2016	31 March, 2015
Principal actuarial assumptions at the balance sheet date:		
Discount Rate	7.38% p.a.	7.90% p.a.
Expected rate of Return on Plan Assets	N.A.	N.A.
Salary Escalation Rate	15.00% p.a.	15.00% p.a.
Employee Turnover	30.00%	20.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

2.1.13 Provisions and contingencies

a) Movement in provision for frauds included under other liabilities is set out below:

	(₹ in crores)	
	31 March, 2016	31 March, 2015
Opening balance at the beginning of the year	24.80	14.06
Additions during the year	15.78	11.27
Reductions on account of payments during the year	-	(0.23)
Reductions on account of reversals during the year	(0.76)	(0.30)
Closing balance at the end of the year	39.82	24.80

NOTES (CONT.)

- b) Other liabilities include provision for reward points made on actuarial basis, the movement of which is set out below: (₹ in crores)

	31 March, 2016	31 March, 2015
Opening provision at the beginning of the year	83.19	85.31
Provision made during the year	62.14	8.39
Reductions during the year	(17.95)	(10.51)
Closing provision at the end of the year	127.38	83.19

- c) Movement in provision for other contingencies is set out below:

	31 March, 2016	31 March, 2015
Opening provision at the beginning of the year	1,058.68	821.61
Provision made during the year	1,342.21	824.50
Reductions during the year	(1,861.80)	(587.43)
Closing provision at the end of the year	539.09	1,058.68

The above provision includes contingent provision for advances/other exposures, legal cases and other contingencies.

2.1.14 Description of contingent liabilities

- a) Claims against the Group not acknowledged as debts

These represent claims filed against the Group in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax authorities and disputed by the Group. Apart from claims assessed as possible, the Group holds provision of ₹26.00 crores as on 31 March, 2016 (previous year ₹27.13 crores) towards claims assessed as probable.

- b) Liability on account of forward exchange and derivative contracts

The Bank enters into foreign exchange contracts, currency options/swaps, interest rate/currency futures and forward rate agreements on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in two currencies, based on ruling spot rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Interest rate futures are standardised, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. An Exchange Traded Currency Option contract is a standardised foreign exchange derivative contract, which gives the owner the right, but not the obligation, to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date on the date of expiry. Currency Futures contract is a standardised, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price.

c) Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

d) Acceptances, endorsements and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

e) Other items for which the Group is contingently liable

Other items represent outstanding amount of bills rediscounted by the Bank, estimated amount of contracts remaining to be executed on capital account, notional principal on account of outstanding Tom/Spot foreign exchange contracts, commitments towards underwriting and investment in equity through bids under Initial Public Offering (IPO) of corporates as at the year end, demands raised by statutory authorities (other than income tax) and disputed by the Group and the amount transferred to Depositor Education and Awareness Fund (DEAF).

The Group has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Bank has reviewed and recorded adequate provision as required under any law/accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements, where applicable.

2.1.15 Comparative Figures

Previous year figures have been regrouped and reclassified, where necessary to conform to current year's presentation.

For Axis Bank Ltd.

Sanjiv Misra
Chairman

V. R. Kaundinya
Director

Samir K. Barua
Director

S. Vishvanathan
Director

Rakesh Makhija
Director

Shikha Sharma
Managing Director & CEO

Date : 26 April, 2016
Place: Mumbai

Girish V. Koliyote
Company Secretary

Jairam Sridharan
Chief Financial Officer

V. Srinivasan
Deputy Managing Director