

DIRECTORS' REPORT: 2015-16

The Board of Directors have the pleasure of presenting the 22nd 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 2016.

Financial Performance

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

(₹ in crores)

Particulars	2015-16	2014-15	Growth
Deposits	357,967.56	322,441.94	11.02%
Out of which			
• Savings Bank Deposits	105,793.13	88,292.08	19.82%
• Current Account Deposits	63,651.92	56,108.22	13.45%
Advances	338,773.72	281,083.03	20.52%
Out of which			
• Retail Advances	138,520.90	111,932.27	23.75%
• Non-retail Advances	200,252.82	169,150.76	18.39%
Total Assets/Liabilities	525,467.62	461,932.39	13.75%
Net Interest Income	16,832.97	14,224.14	18.34%
Other Income	9,371.46	8,365.04	12.03%
Out of which			
• Fee Income	7,501.97	6,778.98	10.67%
• Trading Profit ⁽¹⁾	1,246.91	1,134.94	9.87%
• Misc. Income	622.58	451.12	38.01%
Operating Expenses (excluding depreciation)	9,656.91	8,798.07	9.76%
Profit before Depreciation, Provisions and Tax	16,547.52	13,791.11	19.99%
Depreciation	443.91	405.67	9.43%
Provision for Tax	4,170.09	3,699.01	12.74%
Other Provisions and Write offs	3,709.86	2,328.61	59.32%
Net Profit	8,223.66	7,357.82	11.77%
Appropriations:			
Transfer to Statutory Reserve	2,055.92	1,839.46	11.77%
Transfer (from)/to Investment Reserve	(41.81)	25.49	-
Transfer to Capital Reserve	62.04	63.14	(1.74%)
Transfer to Reserve Fund	1.74	(1.27)	-
Proposed Dividend ⁽²⁾	2.81	1,308.96	-
Surplus carried over to Balance Sheet	6,142.96	4,122.04	-

⁽¹⁾ Excluding Merchant Exchange Profit

⁽²⁾ According to the Companies (Accounting Standards) Amendment Rules, 2016, proposed dividend is not recognised as a liability as on 31st March 2016

DIRECTORS' REPORT (CONT.)

Key Performance Indicators	2015-16	2014-15
Interest Income as a percentage of working funds*	8.59%	8.81%
Non-interest Income as a percentage of working funds*	1.96%	2.08%
Net Interest Margin	3.90%	3.92%
Return on Average Net Worth	17.49%	18.57%
Operating Profit as a percentage of working funds*	3.38%	3.33%
Return on Average Assets	1.72%	1.83%
Profit per Employee**	₹17.83 lacs	₹17.07 lacs
Business (Deposits less inter-bank deposits + Advances) per employee**	₹14.84 crores	₹13.71 crores
Net non-performing assets as a percentage of net customer assets***	0.70%	0.44%

* 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 representing Non-SLR investments through primary market

Previous year figures have been re-grouped wherever necessary

This year has been a mix of opportunities and challenges for the Indian Banking sector. Despite the challenges the Bank continues to perform well, by leveraging upon its branch network and innovative electronic channels, a well-developed retail franchise and a number of key corporate and SME relationships. During the year, the Bank continued to expand its network, as we believe that both physical branches and digital channels will co-exist to create the superior customer experiences which continue to remain the corner stone of our vision and strategy. The Bank's retail businesses grew steadily during the year and there was credible growth of both retail deposits and loans, supported by an expanding network that is critical to the retail franchise. Our corporate advances portfolio grew higher than industry growth rates as we continue to find attractive refinancing opportunities for highly rated corporates that are new relationship additions to the Bank's franchise.

The Bank continued to show a healthy growth in both business and earnings, with a net profit of ₹8,223.66 crores for the year ended 31st March 2016, registering a growth of 11.77% over the net profit of ₹7,357.82 crores last year. The operating profit of the Bank increased by 20.31% to ₹16,103.61 crores from ₹13,385.44 crores last year. The Bank continued to focus on the quality of growth and displayed strong growth in key balance sheet parameters for the year ended 31st March 2016. The total assets increased by 13.75% to ₹525,468 crores, total advances increased by 20.52% to ₹338,774 crores. The total deposits of the Bank increased by 11.02% to ₹357,968 crores against ₹322,442 crores last year. Savings Bank deposits increased by 19.82% to ₹105,793 crores, while Current Account deposits increased by 13.45% to ₹63,652 crores and together constituted 47% of total deposits as compared to 45% last year.

The Bank continued to enhance its shareholder value by delivering healthy financial return ratios. Basic Earnings Per Share (EPS) was ₹34.59 compared to ₹31.18 last year, while the Diluted Earnings Per Share was ₹34.40 compared to ₹30.85 last year. Return on Equity (RoE) stood at 17.49% compared to 18.57% last year, and Return on Assets (RoA) stood at 1.72% compared to 1.83% last year. The Net Interest Margin (NIM) for the year was 3.90% compared to 3.92% last year. The ratio of Gross NPAs to gross customer assets stood at 1.67%, and Net NPA ratio (Net NPAs as percentage of net customer assets) was 0.70%. The Bank's provision coverage stood at 72.27% after considering prudential write-offs.

Capital

During the year, 12,309,627 equity shares of ₹2 each were allotted by the Bank to some of its Directors/Employees and that of its subsidiary companies, pursuant to exercise of options by them under the various Employee Stock Option Schemes of the Bank. Pursuant to said allotment, the total issued and paid-up equity share capital of the Bank increased to ₹476.57 crores, as compared to ₹474.10 crores as on 31st March 2015.

The shareholding pattern of the Bank as on 31st March 2016, was as under:

Sr No	Shareholder/ Category	No. of Shares held	% of Paid-up Capital
Promoters			
1	Administrator of the Specified Undertaking of the Unit Trust of India (SUUTI)	27,48,40,905	11.53
2	Life Insurance Corporation of India (LIC)	34,88,60,225	14.64
3	General Insurance Corporation of India	4,05,95,000	1.70
4	The New India Assurance Company Limited	2,61,03,585	1.10
5	National Insurance Company Limited	47,47,285	0.20
6	The Oriental Insurance Company Limited	63,30,020	0.27
7	United India Insurance Company Limited	69,27,714	0.29
Foreign Investors			
8	Overseas Investors (including FIIs/OCBs/NRIs)	98,29,06,791	41.25
9	Foreign Direct Investment (GDR issue)	7,99,57,720	3.36
Domestic Financial Institutions			
10	Financial Institutions/Mutual Funds/Banks/NBFC	24,67,36,628	10.35
Retail Investors			
11	Others	36,48,25,953	15.31
Total		238,28,31,826	100.00

The said equity shares are listed on the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE). The Unsecured Redeemable Non Convertible Debentures issued by the Bank on a private placement basis are listed on NSE and BSE. The Global Depository Receipts (GDR) issued by the Bank are listed on the London Stock Exchange. The Bonds issued by the Bank under the MTN programme are listed on the Singapore Stock Exchange. The Bank has paid the listing fees to the said Stock Exchanges for the current financial year.

Amendment to Articles of Association (AOA) of the Bank

The Shareholders of the Bank had by means of a special resolution passed on 10th May 2016, through Postal Ballot approved the amendments to the relevant provisions of the Articles of Association (AOA) of the Bank. The new AOA of the Bank which has come into effect from 10th May 2016, is in compliance with the relevant provisions of the Companies Act, 2013, Rules made thereunder, the Banking Regulation Act, 1949, the Guidelines issued by the Reserve Bank of India from time to time and the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (Listing Regulations), including any statutory amendment(s), modification(s), variation or re-enactment thereof.

In terms of the new AOA, SUUTI and LIC has the power to nominate one director each on the Board of the Bank and the Board would have the authority to appoint the Non-Executive Chairman of the Bank.

Application to the Foreign Investment Promotion Board (FIPB) for increase in the foreign investment limits

In terms of the Consolidated Foreign Direct Investment (FDI) Policy, the FIPB, Department of Economic Affairs, Ministry of Finance, New Delhi had granted its approval to the Bank to increase the overall foreign investment limit from 49% to 62% of its total paid up share capital, subject to the condition that the aggregate investments of Foreign Institutional Investors (FIIs) in the Bank does not exceed 49% of its total paid up share capital, subject to compliance with other applicable laws.

The Ministry of Commerce and Industry, Government of India vide Press Note No. 12 (2015 Series) dated 24th November 2015 reviewed and amended the said FDI Policy on various sectors including the Private Sector Banks. The permissible limits of foreign investment in Private Sector Banks was increased to 74% of their total paid up share capital on a fully fungible basis, subject to the limits prescribed in amended Clause 6.2.18.2.2.4 (i) of the revised FDI Policy.

Accordingly, the Bank had sought the approval of the FIPB to increase the foreign investment limit from 62% to 74% of its total paid up share capital on a fully fungible basis, subject to the limits prescribed in amended Clause 6.2.18.2.2.4 (i) of the revised FDI Policy.

As on 31st March 2016, the total foreign investment in the Bank was 44.61% of its total paid up share capital. The said increase in foreign investment limit would enable the Bank to enhance Shareholders value and provide flexibility to the Bank to raise long term capital from foreign investors, subject to compliance with the revised FDI Policy.

DIRECTORS' REPORT (CONT.)

The said application made by the Bank seeking to increase the foreign investment limit from 62% to 74% of its total paid up share capital on a fully fungible basis, has been recommended by the FIPB for the approval of the Cabinet Committee on Economic Affairs (CCEA).

Dividend

The Diluted Earnings Per Share (EPS) of the Bank for the financial year 2015-16 has risen to ₹34.40 from ₹30.85 per equity share of ₹2 each in the previous year. In view of the overall performance of the Bank and with the objective of rewarding the Shareholders of the Bank with cash dividends while retaining capital to maintain a healthy capital adequacy ratio to support future growth, the Board of Directors of the Bank at its Meeting held on 26th April 2016, recommended a dividend of ₹5.00 per equity share of ₹2 each for the financial year 2015-16, as compared to ₹4.60 per equity share of ₹2 each, for the financial year 2014-15. The said increase reflects our confidence in the Bank's ability to consistently grow earnings over time.

Closure of Share Transfer Books and Record Date for Dividend

The Register of Members and the Share Transfer Books of the Bank will be closed from Saturday, 9th July 2016 to Friday, 22nd July 2016 (both days inclusive) for the purpose of the 22nd Annual General Meeting of the Shareholders of the Bank to be held on Friday, 22nd July 2016 and for determining the entitlement to dividend, if any, declared by the Bank for the financial year ended 31st March 2016.

The Record Date for payment of the said dividend, if approved by the Members at the 22nd Annual General Meeting, has been fixed on Friday, 8th July 2016. The said dividend shall be paid to those Members whose name appears on the Register of Members of the Bank/ the Statements of Beneficial Ownership as received from the Depositories, as at the close of business hours on Friday, 8th July 2016.

Ratings of various Debt Instruments

The Unsecured Redeemable Non Convertible Debentures issued by the Bank, on a private placement basis, during the financial year 2015-16, were rated "AAA" by CRISIL, CARE and ICRA.

The Bonds issued by the Bank under the MTN programme, during the financial year 2015-16, were rated "AAA" by CRISIL, CARE and ICRA.

Board of Directors

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

Smt. Shikha Sharma was re-appointed as the Managing Director and CEO of the Bank for a further period of three years with effect from 1st June 2015 upto 31st May 2018, in terms of the approval granted by the Reserve Bank of India (RBI) and the Shareholders of the Bank at the last Annual General Meeting held on 24th July 2015.

Smt. Ireena Vittal resigned as an Independent Director of the Bank, with effect from the close of business hours on 23rd August 2015. The Board places on record its appreciation for the contributions made by Smt. Ireena Vittal during her tenure as an Independent Director of the Bank.

At the meeting of the Board of Directors held on 24th July 2015, Shri V. Srinivasan was re-appointed as the Executive Director & Head (Corporate Banking) of the Bank for a period of 3 years, with effect from 15th October 2015 to 14th October 2018, subject to the approval of the RBI and the Shareholders of the Bank. Thereafter, at the meeting of the Board of Directors held on 27th October 2015, the Board re-designated Shri V. Srinivasan as the Deputy Managing Director of the Bank with effect from 15th October 2015, subject to the approval of the RBI and Shareholders of the Bank. However, in terms of the approval granted by the RBI, Shri V. Srinivasan took charge as the 'Deputy Managing Director' of the Bank, for a period of 3 years, with effect from 21st December 2015. The approval of Shareholders of the Bank, will be obtained at the 22nd Annual General Meeting to be held on 22nd July 2016. In order to comply with the provisions of Section 152 of the Companies Act, 2013, Shri V. Srinivasan will retire by rotation at the 22nd Annual General Meeting and being eligible has offered himself for re-appointment.

Shri Rakesh Makhija was appointed as an Independent Director of the Bank, for a period of five consecutive years, with effect from 27th October 2015, subject to the approval of the Shareholders of the Bank at the 22nd Annual General Meeting of the Bank. During the said tenure, Shri Rakesh Makhija shall not be liable to retire by rotation.

Smt. Ketaki Bhagwati was appointed as an Independent Director of the Bank, for a period of five consecutive years, with effect from 19th January 2016, subject to the approval of the Shareholders of the Bank at the 22nd Annual General Meeting of the Bank. During the said tenure, Smt. Ketaki Bhagwati shall not be liable to retire by rotation.

Shri Prasad R. Menon was re-appointed as an Independent Director of the Bank for his second term, with effect from 23rd January 2016 up to 8th October 2018 (both days inclusive). The approval of the Shareholders of the Bank was obtained through Postal Ballot on 22nd December 2015. During the said tenure, Shri Prasad R. Menon shall not be liable to retire by rotation.

Shri K. N. Prithviraj, (Nominee of SUUTI) ceased to be the Non-Executive Director of the Bank, with effect from the close of business hours on 8th January 2016. The Board places on record its appreciation for the contributions made by Shri K. N. Prithviraj during his tenure as the Non-Executive Director of the Bank.

Shri B. Babu Rao, (Nominee of SUUTI) was appointed as a Non-Executive Director of the Bank, liable to retire by rotation, with effect from 19th January 2016, subject to the approval of the Shareholders of the Bank at the 22nd Annual General Meeting of the Bank.

The tenure of Dr. Sanjiv Misra, (Nominee of SUUTI) as the Non-Executive Chairman of the Bank, ended on 7th March 2016. In terms of SUUTI's letter dated 8th March 2016, the Board of Directors of the Bank re-appointed Dr. Sanjiv Misra as the Non-Executive Chairman of the Bank, for a period of three months, with effect from 8th March 2016, subject to the approval of the RBI and the Shareholders of the Bank. However, in terms of the approval granted by the RBI, the said re-appointment was approved for a period of three months, with effect from 11th March 2016. The approval of the Shareholders of the Bank was obtained through Postal Ballot on 10th May 2016.

Shri Sanjeev Kumar Gupta, Executive Director (Corporate Centre) of the Bank retired from the services of the Bank, with effect from the close of business hours on 18th March 2016. The Board places on record its deep appreciation and gratitude for the valuable services rendered by Shri Sanjeev Kumar Gupta during his tenure as an Employee / Executive Director of the Bank.

Apart from the above, no other Director was appointed or has resigned or has retired during the financial year 2015-16.

Pursuant to the amendments to the AOA of the Bank, the right of nomination available to SUUTI to nominate the Chairman of the Bank got rescinded. In view of the above, Dr. Sanjiv Misra resigned as the Non-Executive Chairman of the Bank (as a nominee of SUUTI), with effect from 11th May 2016.

Thereafter, in terms of the new Article 90 of the AOA of the Bank, the Board of Directors at its meeting held on 12th May 2016 appointed Dr. Sanjiv Misra as an Independent Director and as the Non-Executive (Part-time) Chairman of the Bank, for a period of five consecutive years, with effect from 12th May 2016, subject to the approval of the RBI and the Shareholders of the Bank at the 22nd Annual General Meeting of the Bank.

Shri Rajiv Anand, Group Executive (Retail Banking) of the Bank was appointed as the Director of the Bank and as the Wholetime Director designated as the 'Executive Director (Retail Banking)' of the Bank, for a period of three years, with effect from 12th May 2016, subject to the approval of the RBI and the Shareholders of the Bank at the 22nd Annual General Meeting of the Bank. During the said tenure, Shri Rajiv Anand shall be liable to retire by rotation.

Shri Rajesh Dahiya, Group Executive & Head (Corporate Centre) of the Bank was appointed as the Director of the Bank and as the Wholetime Director designated as the 'Executive Director (Corporate Centre)' of the Bank, for a period of three years, with effect from 12th May 2016, subject to the approval of the RBI and the Shareholders of the Bank at the 22nd Annual General Meeting of the Bank. During the said tenure, Shri Rajesh Dahiya shall be liable to retire by rotation.

The above appointments were made after taking into consideration the experience, knowledge, skills and expertise that the said persons would bring to the Board and the requirements as prescribed under Section 10A of the Banking Regulation Act, 1949.

The ordinary resolutions in respect of the Directors who are to be appointed/ re-appointed, as aforesaid, have been included in the Notice convening the 22nd Annual General Meeting of the Bank to be held on 22nd July 2016. A brief profile of the said Directors have been annexed to the said Notice.

Selection and Appointment of Directors

The appointment of Directors of the Bank are 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, in this regard, from time to time and the Listing Regulations.

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 a Bank. The prescribed declarations given by the Directors other than 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 from the Directors are obtained at the time of their appointment / re-appointment in compliance with the said laws. Assessment on whether the Directors fulfill the said criteria is also made by the NRC and the Board on an annual basis.

DIRECTORS' REPORT (CONT.)

The Members of the NRC 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, remuneration and assignment of duties (nomination to various Committees of the Board) designed to enhance the Board's effectiveness. The NRC 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, thus providing the Board with members who have special knowledge, practical experience and skills, to serve the business interest of the Bank.

Declaration of Independence

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

Key Managerial Personnel

Shri Jairam Sridharan was appointed as the Chief Financial Officer (CFO) of the Bank, with effect from 28th October 2015, in place of Shri Sanjeev Kumar Gupta, Executive Director (Corporate Centre) of the Bank who had stepped down as the CFO of the Bank. Currently, Shri Jairam Sridharan is designated as the 'Group Executive & CFO' of the Bank.

Shri Girish V. Koliyote was appointed as the Company Secretary of the Bank, with effect from 1st May 2015, in place of Shri Sanjeev Kapoor who had resigned as the Company Secretary of the Bank, with effect from the close of business hours on 30th April 2015.

Board Evaluation

The Board has conducted annual evaluation of the performance of all its Directors, Committees of the Board and that of its Non-Executive Chairman, in terms of the relevant provisions of the Companies Act, 2013, the Rules made thereunder and the Listing Regulations.

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

Meetings

The schedule of the meetings of the Board and the Committees thereof for the next financial year is circulated well in advance to all the Members of the Board, for their consideration and approval. During the year, 5 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 Rules made thereunder and the Listing Regulations.

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 is forming a part of this report.

Remuneration Policy

The Bank has formulated and adopted a Remuneration Policy for its Directors, Key Managerial Personnel and other Employees, in terms of Section 178 of the Companies Act, 2013, the Rules made thereunder and the Listing Regulations. The details of the Remuneration Policy have been disclosed in the Report on Corporate Governance, which is forming part of this 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 is forming part of this report.

Subsidiaries

As on 31st March 2016, the Bank has the following nine unlisted subsidiary companies:

- 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) Axis Securities Europe Ltd. is engaged in financial advisory service company.

During the financial year 2015-16, the Bank acquired the entire share capital of Axis Securities Europe Ltd., its step-down subsidiary company, at a consideration of ₹19.02 crores from Axis Capital Ltd., a wholly owned subsidiary of the Bank. Accordingly, Axis Securities Europe Ltd. became a wholly owned subsidiary company of the Bank, with effect from 19th August 2015.

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

In accordance with third proviso to Section 136(1) of the Companies Act, 2013, the Annual Report of the Bank, containing therein its standalone and the consolidated financial statements has been hosted on its website www.axisbank.com. Further, as per fourth proviso to the said section, the audited annual accounts of each of the said subsidiary companies of the Bank have also been hosted on the Bank's website www.axisbank.com.

Any shareholder who may be interested in obtaining a physical copy of the aforesaid financial statements may write to the Company Secretary of the Bank at its Registered office. Further, please note that the said financial statements will be available for inspection by the Shareholders of the Bank 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

All related party transactions entered into during the financial year were on an arm's length basis and in the ordinary course of the business of the Bank. Accordingly AOC-2 is not applicable to the Bank. All related party transactions are placed before the Audit Committee of the Board of Directors (ACB) for its approval. Prior omnibus approval of the Audit Committee of the Board is obtained for the transactions, which are of foreseen and repetitive nature. 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 as approved by the Board at its meeting held on 19th January 2016 has been hosted on the Bank's website. During the year under reference, the Bank has not entered into any transaction with any related party, which may be deemed to be material, in terms of explanation to Regulation 23 of the Listing Regulations.

The Ministry of Corporate Affairs (MCA) vide its notification dated 25th May 2015 had empowered the ACB to grant omnibus approval for related party transactions on an annual basis, in line with the Listing Regulations. Further, the MCA vide its notifications dated 14th December 2015 had provided that the Board of Directors should approve the criteria based on which the ACB could accord such omnibus approval. Accordingly, the criteria to be considered by ACB for granting such omnibus approval was approved by the Board of Directors of the Bank at its meeting held on 19th January 2016.

Employee Stock Option Plan (ESOP)

Since the financial year 2000-01, the Bank has formulated and adopted several Employee Stock Option Schemes (ESOS), in accordance with 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 as an active stakeholder and to usher in an 'owner-manager' culture.

DIRECTORS' REPORT (CONT.)

Under the said ESOS, upto 240,087,000 options can be granted to the eligible Directors / Employees of the Bank and that of its subsidiary companies. The eligibility and number of options to be granted to the eligible Directors / Employees is determined on the basis of their performance and such other criteria as may be approved by the NRC / Board of Directors of the Bank, 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 to the eligible Directors / Employees of the Bank and that of its subsidiary companies as aforesaid on six occasions. Under the first two Schemes and in respect of the grants made upto 29th April 2004, the option conversion price was set at the average daily high-low price of the Bank's equity shares traded during the 52 weeks preceding the date of grant at the Stock Exchange which had the maximum trading volume of the Bank's equity share during that period. Under the third and subsequent Schemes and with effect from the grants made by the Bank on 10th June 2005 and thereafter, the pricing formula has been changed to the latest available closing price of the equity shares of the Stock Exchange recording higher trading volume, on the day prior to the date of grant.

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 its various Schemes, such that all stock options available for grant (including lapsed and forfeited options available for reissue) and those already granted but not vested/exercised as on 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 (vested, unvested and unexercised) as on the said record date 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 upto 10th September 2015, the NRC / Board, had out of the 240,087,000 options, approved the grant of 239,119,950 options in terms of the various Schemes. 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 conditions. The said options are required to be exercised by the concerned Directors / Employees of the Bank and that of its Subsidiary Companies, within a period of three / five years, from the date of its respective vesting.

As of 31st March 2016, out of the said 239,119,950 options so granted, 198,869,586 options had been vested and exercised, 15,670,500 options had been unvested and 24,579,864 options had been treated as lapsed/cancelled.

Other statutory disclosures as required under Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014 have been hosted on the website of the Bank, http://www.axisbank.com/download/other_statutory_disclosures.pdf.

Corporate Governance

The Listing Regulations which was notified by the Securities and Exchange Board of India on 2nd September 2015 has replaced the erstwhile Clause 49 of the Listing Agreement, with effect from 1st December 2015.

The Bank is committed to achieve 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 2015-2016 along with a Certificate from the Statutory Auditors of the Bank confirming compliance with the conditions relating to Corporate Governance as stipulated under Chapter IV of the Listing Regulations, is forming part of this report. The Corporate Governance framework of the Bank incorporates all the mandatory requirements set out in the Listing Regulations.

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 year ended 31st March 2016, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- b. That such accounting policies as mentioned in Note 18 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 2016 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) of the Companies Act, 2013 and Rule 12 (1) of the Companies (Management and Administration) Rules, 2014, 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, in respect of employees of the Bank forms part as an annexure to this report.

As on 31st March 2016, the Bank had 163 employees who were employed throughout the year and were in receipt of remuneration more than ₹60 lakhs per annum and 53 employees who were employed for part of the year and were in receipt of remuneration of more than ₹5 lakh 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 employees containing the particulars as specified in Rule 5 (2) of the said Rules, which is available for inspection by the Members at its Registered Office during business hours of the Bank up to the date of the ensuing Annual General Meeting. If any Member is interested in obtaining a copy thereof, may write to the Company Secretary of the Bank at its Registered Office. The financial statements and other reports of the Bank annexed thereto have been hosted on the website of the Bank, www.axisbank.com.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The steps taken /impact on conservation of energy:

The Bank has always considered energy and natural resource conservation as a focus area and has been consciously making efforts towards improving the energy performance year on year. Energy efficiency improvement initiatives have been implemented across all the plants and offices by undertaking various energy and resource conservation projects for Sustainable development.

The Bank ensures strict compliance with all the statutory requirements and has taken several sustainable steps voluntarily to contribute toward better environment. Select few steps /impact are listed below:

- Implementation of solar energy of aggregate ~2.7 MW spread over select Branches/Offices.
- Implementing Energy Management System (EMS) to monitor and control energy consumption in select Branches.
- Conversion of conventional lighting to LED.
- Installed Compost Machine for converting food waste into manure at Axis House.
- 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.
- Motion sensors installation for the workstations at Axis House.
- Recycle and Reuse of Food waste, Dry waste and Sewage at Axis House.
- Sewage Treatment Plant of 150 KL capacity recycles sewage water at Axis House every day.
- Use of water flow reducer to reduce the water consumption at Axis House and Gigaplex (Airoli.)
- Rain Water Harvesting at Axis House.
- Introduction of bio blocks in urinals at Select Large Facilities thereby saving flushing water.

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 given as an annexure to this report.

DIRECTORS' REPORT (CONT.)

Risk Management

Pursuant to Regulation 21 of the Listing Regulations, the Bank has already constituted the 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 is forming 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 said Risk Management Framework, it has delegated its powers relating to monitoring and reviewing of risk 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 annexed 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. 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 and as such no disclosure are 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, 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, have been disclosed as an annexure to this report.

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), were appointed as the Statutory Auditors of the Bank to hold office as such from the conclusion of the Twentieth Annual General Meeting until the conclusion of the Twenty Fourth Annual General Meeting subject to the approval of the Reserve Bank of India each year, on such remuneration as may be approved by the ACB.

In terms of the first proviso to Section 139 of the Companies Act, 2013, the appointment of the Statutory Auditors is required to be placed for ratification at every Annual General Meeting. Accordingly, the appointment of M/s. S. R. Batliboi & Co. LLP, Chartered Accountants, as Statutory Auditors of the Bank for the financial year 2016-17, is placed for ratification by the Shareholders of the Bank at the 22nd Annual General Meeting.

As recommended by the ACB, the Board of Directors has proposed the ratification of appointment of M/s. S. R. Batliboi & Co. LLP, Chartered Accountants, as Statutory Auditors of the Bank for the financial year 2016-17 for the approval of the Shareholders of the Bank at the 22nd Annual General Meeting. The Shareholders are requested to ratify the said appointment of the Statutory Auditors and payment of remuneration, as approved by the ACB.

In this regard, the Bank has received a certificate from the Statutory Auditors to the effect that the ratification of their appointment, if made, would be in accordance with the provisions of Section 141 of the Companies Act, 2013.

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.

Secretarial Auditors

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Bank has appointed M/s. BNP & Associates, Company Secretaries, Mumbai as the Secretarial Auditor of the Bank to conduct secretarial audit.

The secretarial audit of the Bank has been conducted on a concurrent basis in respect of the matters as set out in the said Rules and have been provided in the Secretarial Audit Report for the financial year 2015-16, which is given as an annexure to this report.

There are no qualifications, reservations or adverse remarks made by M/s. BNP & Associates, Company Secretaries, Secretarial Auditor of the Bank in their 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 2015-16, no significant or material orders were passed by any Regulator, Court or Tribunal against the Bank, which could impact its going concern status and 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, CFO of the Bank, for the financial year under review, was placed before the Board of Directors at its meeting held on 26th April 2016, in terms of Regulation 17(8) of the Listing Regulations.

Acknowledgements

The Board of Directors places on record its gratitude to the RBI, FIPB, MCA, SEBI, other government and regulatory authorities, financial institutions, stock exchanges, registrar and share transfer agent, debenture trustees, depositories and correspondent banks for their strong support and guidance. The Board acknowledges the support of the Shareholders and also places on record its sincere thanks to its valued clients and 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 initiative, which has led to the Bank making commendable progress in today's challenging environment.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 12th May 2016

Dr. Sanjiv Misra
Chairman