17 Significant Accounting Policies

For the year ended 31 March, 2019

1 Principles of Consolidation

The consolidated financial statements comprise the financial statements of Axis Bank Limited ('the Bank') and its subsidiaries, which together constitute 'the Group'. The Bank has overseas branches at Singapore, Hong Kong, DIFC - Dubai, Shanghai and Colombo and an Offshore Banking Unit at International Financial Service Centre (IFSC), Gujarat International Finance Tec-City (GIFT City), Gandhinagar, India.

The Bank consolidates its subsidiaries in accordance with AS 21, Consolidated Financial Statements notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. All significant inter-company accounts and transactions are eliminated on consolidation.

2 Basis of preparation

a) The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the generally accepted accounting principles in India, unless otherwise stated by Reserve Bank of India ('RBI'), to comply with the statutory requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949, the circulars, notifications and guidelines issued by RBI from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and practices generally prevalent in the banking industry in India.

b) The consolidated financial statements present the accounts of Axis Bank Ltd. with its following subsidiaries:

Name	Relation	Country of Incorporation	Ownership Interest
Axis Capital Ltd.	Subsidiary	India	100.00%
Axis Private Equity Ltd.	Subsidiary	India	100.00%
Axis Trustee Services Ltd.	Subsidiary	India	100.00%
Axis Mutual Fund Trustee Ltd.	Subsidiary	India	75.00%
Axis Asset Management Company Ltd.	Subsidiary	India	75.00%
Axis Finance Ltd.	Subsidiary	India	100.00%
Axis Securities Ltd.	Subsidiary	India	100.00%
Freecharge Payment Technologies Pvt. Ltd.	Subsidiary	India	100.00%
Accelyst Solutions Pvt. Ltd.	Subsidiary	India	100.00%
A.Treds Ltd.	Subsidiary	India	67.00%
Axis Bank UK Ltd.	Subsidiary	U.K.	100.00%
Axis Capital USA LLC	Step down subsidiary	USA	100.00%

c) The financial statements of certain subsidiaries have been prepared in accordance with notified Indian Accounting Standards ('Ind-AS') with effect from 1 April, 2018. The financial statements of such subsidiaries used for consolidation of the consolidated financial statements are special purpose financial statements prepared in accordance with Generally Accepted Accounting Principles in India ('GAAP') specified under section 133 of the companies act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the companies (Accounting Standards) Amendment Rules, 2016.

d) The audited financial statements of the above subsidiaries and the unaudited financial statements of the step down subsidiary have been drawn up to the same reporting date as that of the Bank, i.e. 31 March, 2019.

e) Axis Private Equity Ltd., is in the process of amalgamation with Axis Finance Ltd. and has submitted application for amalgamation before the National Company Law Tribunal on 13 October, 2017. The approval for the same is awaited from the adjudicating authority.

f) On 27 March, 2018, the Board of Directors of Accelyst Solutions Pvt. Ltd ('ASPL') and Freecharge Payment Technologies Pvt. Ltd. ('FCPTL') approved a scheme for amalgamation of ASPL into and with FCPTL. ASPL and FCPTL have filed final petition for approval of merger before the National Company Law Tribunal ('NCLT'). The appointed date for amalgamation is 7 October, 2017 and the effect of merger will be given on this date or any other date as may be prescribed by the NCLT.

3 Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities (including contingent liabilities) at the date of the financial statements, revenues and expenses during the reporting period. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

4 Change in accounting policies/estimates

4.1 Change in estimated useful life of fixed assets

During the year, the Bank has revised the estimated useful life of Electronic Data Capturing machines/Point of Sale terminals from 10 years to 5 years. As a result of the aforesaid revision, the depreciation charge for the year is higher by ₹29.34 crores with a corresponding decrease in the net block of fixed assets.

4.2 Provision on standard advances

With effect from 31 March 2019, in the case of provision on standard advances the Bank adopted a more stringent policy of maintaining provision on corporate standard advances rated 'BB and Below' and all SMA-2 advances as reported to CRILC, at rates that are higher than those prescribed by RBI. As a result, provisions and contingencies for the year are higher by ₹378 crores with a consequent reduction to the profit before tax.

5 Significant accounting policies

5.1 Investments

Axis Bank Ltd.

Classification

In accordance with the RBI guidelines, investments are classified at the time of purchase as:

- Held for Trading ('HFT');
- Available for Sale ('AFS'); and
- Held to Maturity ('HTM').

Investments that are held principally for sale within a short period are classified as HFT securities. As per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are transferred to AFS securities.

Investments that the Bank intends to hold till maturity are classified under the HTM category. Investments in the equity of subsidiaries/joint ventures are categorised as HTM in accordance with the RBI guidelines.

All other investments are classified as AFS securities.

However, for disclosure in the Balance Sheet, investments in India are classified under six categories - Government Securities, Other approved securities, Shares, Debentures and Bonds, Investment in Subsidiaries/Joint Ventures and Others.

Investments made outside India are classified under three categories – Government Securities, Subsidiaries and/or Joint Ventures abroad and Others.

Transfer of security between categories

Transfer of security between categories of investments is accounted as per the RBI guidelines.

Acquisition cost

Costs including brokerage and commission pertaining to investments, paid at the time of acquisition, are charged to the Profit and Loss Account.

Broken period interest is charged to the Profit and Loss Account.

Cost of investments is computed based on the weighted average cost method.

Valuation

Investments classified under the HTM category: Investments are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the period remaining to maturity on a constant yield to maturity basis. In terms of RBI guidelines, discount on securities held under HTM category is not accrued and such securities are held at the acquisition cost till maturity.

Investments classified under the AFS and HFT categories: Investments under these categories are marked to market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association of India ('FIMMDA')/ Financial Benchmark India Private Limited ('FBIL'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in the Profit and Loss Account. The net appreciation if any, under each category of each investment classification is ignored. The depreciation on securities acquired by way of conversion of outstanding loans is provided in accordance with the RBI guidelines. The book value of individual securities is not changed consequent to the periodic valuation of investments.

Non-performing investments are identified and provision is made thereon as per RBI guidelines.

Treasury Bills, Exchange Funded Bills, Commercial Paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.

Units of mutual funds are valued at the latest repurchase price/net asset value declared by the mutual fund.

Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:

- the market/fair value of unquoted government securities which are in the nature of Statutory Liquidity Ratio ('SLR') securities included in the AFS and HFT categories is computed as per the rates published by FIMMDA/ FBIL;

- in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the YTM for Government Securities as published by FIMMDA/PDAI/FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each category and credit ratings along with residual maturity issued by FIMMDA/FBIL is adopted for this purpose;

- in case of bonds and debentures (including Pass Through Certificates) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;

- equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1 per company;

- units of Venture Capital Funds ('VCF') held under AFS category where current quotations are not available are value based on the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹1 per VCF. Investment in unquoted VCF after 23 August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines; and

- in case investments in security receipts on or after 1 April, 2017 which are backed by more than 50 percent of the stressed assets sold by the Bank, provision for depreciation in value is made at the higher of - provisioning rate required in terms of net asset value declared by the Reconstruction Company ('RC')/Securitisation Company ('SC') or the provisioning rate as per the extant asset classification and provisioning norms as applicable to the underlying loans, assuming that the loan notionally continued in the books of the bank. All other investments in security receipts are valued as per the NAV obtained from the issuing RC/SCs.

All investments are accounted for on settlement date, except investments in equity shares which are accounted for on trade date.

Disposal of investments

Investments classified under the HTM category: Realised gains are recognised in the Profit and Loss Account and subsequently appropriated to Capital Reserve account (net of taxes and transfer to statutory reserves) in accordance with the RBI guidelines. Losses are recognised in the Profit and Loss Account.

Investments classified under the AFS and HFT categories: Realised gains/losses are recognised in the Profit and Loss Account.

Repurchase and reverse repurchase transactions

Repurchase and reverse repurchase transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are accounted as collateralised borrowing and lending respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The short positions are reflected in 'Securities Short Sold ('SSS') A/c', specifically created for this purpose. Such short positions are categorised under HFT category and netted off from investments in the Balance Sheet. These positions are marked-to-market along with the other securities under HFT portfolio and the resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of investments discussed earlier.

Subsidiaries

Investments are initially recognised at cost which comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Investments which are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Any reduction in the carrying amount and any reversal of such reductions are charged or credited to the Profit and Loss Account.

Long term investments are stated at cost. Provision is made to recognise a decline, other than temporary, in the value of such investments.

5.2 Advances

Axis Bank Ltd.

Advances are classified into performing and non-performing advances ('NPAs') as per the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates, specific provisions made towards NPAs, interest in suspense for NPAs, claims received from Export Credit Guarantee Corporation, provisions for funded interest on term loan classified as NPAs, provisions in lieu of diminution in the fair value of restructured assets and floating provisions.

NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Advances held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the RBI guidelines, are classified as NPAs to the extent of amount outstanding in the host country. Provisions for NPAs are made for sub-standard and doubtful assets at rates as prescribed by the RBI with the exception for agriculture advances and schematic retail advances. In respect of schematic retail advances, provisions are made in terms of a bucket-wise policy upon reaching specified stages of delinquency (90 days or more of delinquency) under each type of loan, which satisfies the RBI prudential norms on provisioning. Provisions in respect of agriculture advances classified into sub-standard and doubtful assets are made at rates which are higher than those prescribed by the RBI. Provisions for advances booked in overseas branches, which are standard as per the RBI guidelines but are classified as NPAs based on host country guidelines, are made as per the host country regulations. In case of NPAs referred to National Company Law Tribunal (NCLT) under Insolvency and Bankruptcy Code (IBC) where resolution plan or liquidation order has been approved by NCLT, provision is maintained at higher of the requirement under RBI guidelines or the likely haircut as per resolution plan or liquidation order.

Restructured assets are classified and provided for in accordance with the guidelines issued by RBI from time to time.

Loss assets and unsecured portion of doubtful assets are provided/written off as per the extant RBI guidelines.

Amounts recovered against debts written off are recognised in the Profit and Loss account and included under "Other Income".

The Bank holds provision in accordance with the RBI guidelines, on assets where change in ownership under Strategic Debt Restructuring (SDR) scheme/Outside SDR scheme has been implemented before 12 February, 2018 or Scheme for Sustainable Structuring of Stressed Asset (S4A) has been implemented before 12 February, 2018.

In respect of borrowers classified as non-cooperative and willful defaulters, the Bank makes accelerated provisions as per extant RBI guidelines.

Loans reported as fraud are classified as loss assets, and fully provided immediately without considering the value of security.

For entities with Unhedged Foreign Currency Exposure (UFCE), provision is made in accordance with the guidelines issued by RBI, which requires to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness of unhedged position. This provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

The Bank maintains a general provision on standard advances at the rates prescribed by RBI other than for corporate standard advances rated 'BB and Below' and all SMA-2 advances as reported to CRILC where general provision is maintained at rates that are higher than those prescribed by RBI. In case of overseas branches, general provision on standard advances is maintained at the higher of the levels stipulated by the respective overseas regulator or RBI. The Bank also maintains general provision on positive Mark-to-Market (MTM) on derivatives at the rates prescribed by RBI.

Under its home loan portfolio, the Bank offers housing loans with certain features involving waiver of Equated Monthly Installments ('EMIs') of a specific period subject to fulfilment of a set of conditions by the borrower. The Bank makes provision against the probable loss that could be incurred in future on account of waivers to eligible borrowers in respect of such loans based on actuarial valuation conducted by an independent actuary. This provision is classified under Schedule 5 – Other Liabilities in the balance sheet.

Axis Finance Ltd.

Advances are classified into performing and non-performing advances ('NPAs') as per the RBI guidelines and are stated net of specific provisions made towards NPAs. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made at rates as prescribed by the RBI.

Non-performing loans are written off / provided for, as per management estimates, subject to the minimum provision required as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

5.3 Country risk

Axis Bank Ltd.

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). Such provisions are held only in respect of those countries where the net funded exposure of the Bank exceeds 1% of its total assets. For this purpose the countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per RBI guidelines. Provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the net funded exposure of the Bank in respect of each country does not exceed 1% of the total assets, no provision is maintained on such country exposure in accordance with RBI guidelines. This provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

5.4 Securitisation

Axis Bank Ltd.

The Bank enters into purchase/sale of corporate and retail loans through direct assignment/Special Purpose Vehicle ('SPV'). In most cases, post securitisation, the Bank continues to service the loans transferred to the assignee/SPV. The Bank also provides credit enhancement in the form of cash collaterals and/or by subordination of cash flows to Senior Pass through Certificate ('PTC') holders. In respect of credit enhancements provided or recourse obligations (projected delinquencies, future servicing etc.) accepted by the Bank, appropriate provision/disclosure is made at the time of sale in accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016.

In accordance with RBI guidelines of 7 May, 2012 on 'Guidelines on Securitisation of Standard Assets', gain on securitisation transaction is recognised over the period of the underlying securities issued by the SPV. Loss on securitisation is immediately debited to the Profit and Loss Account.

5.5 Foreign currency transactions

Group

In respect of domestic operations, transactions denominated in foreign currencies are accounted for at the rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are translated at the Balance Sheet date at rates notified by Foreign Exchange Dealers Association of India ('FEDAI'). All profits/losses resulting from year end revaluations are recognised in the Profit and Loss Account.

Financial statements of foreign operations classified as non-integral foreign operations as per the RBI guidelines are translated as follows:

- Assets and liabilities (both monetary and non-monetary as well as contingent liabilities) are translated at closing exchange rates notified by FEDAI at the Balance Sheet date.

- Income and expenses are translated at the rates prevailing on the date of the transactions.
- All resulting exchange differences are accumulated in a separate 'Foreign Currency Translation Reserve' till the disposal of the net investments. Any realised gains or losses on such disposal are recognised in the Profit and Loss Account.

Outstanding forward exchange contracts including tom/spot contracts (excluding currency swaps undertaken to hedge foreign currency assets/liabilities and funding swaps which are not revalued) are revalued at year end on PV basis by discounting the forward value till spot date and converting the FCY amount using the respective spot rates as notified by FEDAI. The resulting gains or losses on revaluation are included in the Profit and Loss Account in accordance with RBI/FEDAI guidelines.

Premium/discount on currency swaps undertaken to hedge foreign currency assets and liabilities and funding swaps is recognised as interest income/expense and is amortised on a pro-rata basis over the underlying swap period.

Contingent liabilities on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

5.6 Derivative transactions

Axis Bank Ltd.

Derivative transactions comprise of forward contracts, swaps and options which are disclosed as contingent liabilities. The forwards, swaps and options are categorised as trading or hedge transactions. Trading derivative contracts are revalued at the Balance Sheet date with the resulting unrealised gain or loss being recognised in the Profit and Loss Account and correspondingly in other assets (representing positive Mark-to-Market) and in other liabilities (representing negative Mark-to-Market (MTM)) on a gross basis. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Hedge swaps are accounted for on accrual basis except in case of swaps designated with an asset or liability that is carried at market value or lower of cost or market value in the financial statements. In such cases the swaps are marked-to-market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Pursuant to the RBI guidelines any receivables under derivative contracts comprising of crystallised receivables as well as positive MTM in respect of future receivables which remain overdue for more than 90 days are reversed through the Profit and Loss account and are held in separate Suspense Account.

Premium on options is recognized as income/expense on expiry or early termination of the transaction.

Currency futures contracts are marked-to-market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. While the daily settlement price is computed based on the last half an hour weighted average price of such contract, the final settlement price is taken as the RBI reference rate on the last trading day of the futures contract or as may be specified by the relevant authority from time to time. All open positions are marked-to-market based on the settlement price and the resultant marked-to-market profit/loss is daily settled with the exchange.

Valuation of Exchange Traded Currency Options (ETCO) is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures (IRF) is carried out on the basis of the daily settlement price of each contract provided by the exchange.

5.7 Revenue recognition

Axis Bank Ltd.

Interest income is recognised on an accrual basis in accordance with AS–9, Revenue Recognition as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014, the Companies (Accounting Standards) Amendment Rules, 2016 and the RBI guidelines except in the case of interest income on non-performing assets and loans under Strategic Debt Restructuring (SDR) scheme and Scheme for Sustainable Structuring of Stressed Asset (S4A) of RBI, where it is recognised on receipt basis if overdue for more than 90 days. Income on non-coupon bearing or low-coupon bearing discounted instruments is recognised over the tenor of the instrument on a constant yield basis.

Guarantee commission is recognised on a pro-rata basis over the period of the guarantee. Locker rent and annual fees for credit cards are recognised on a straight-line basis over the period of contract. Arrangership/syndication fee is accounted for on completion of the agreed service and when right to receive is established. Other fees and commission income are recognised when due.

Interest income on investments in discounted PTCs is recognized on a constant yield basis.

Dividend is accounted on an accrual basis when the right to receive the dividend is established.

Gain/loss on sell down of loans and advances through direct assignment is recognised at the time of sale.

Fees paid/received for Priority Sector Lending Certificates ('PSLC') is amortised on straight-line basis over the tenor of the certificate.

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e. book value less provisions held), the shortfall is charged to the Profit and Loss Account. If the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

The Bank deals in bullion business on a consignment basis. The difference between the price recovered from customers and cost of bullion is accounted for at the time of sale to the customers. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.

Subsidiaries

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Fee income is recognised on the basis of accrual when all the services are performed.

Interest income is recognised on an accrual basis.

Dividend income is recognised when the right to receive payment is established by the balance sheet date.

Income from sale of investments is determined on weighted average basis and recognised on the trade date basis.

Axis Capital Ltd.

Brokerage income in relation to stock broking activity is recognised as per contracted rates at the execution of transactions on behalf of the customers on a trade date basis. Gains/losses on dealing in securities are recognised on a trade date basis.

Revenue from issue management, loan syndication, financial advisory services is recognised based on the stage of completion of assignments and terms of agreement with the client.

Selling commissions/brokerage generated from primary market operations i.e. procuring subscriptions from investors for public offerings of companies, mutual funds, etc. are recorded on determination of the amount due to the Company, once the allotment of securities are completed.

Axis Trustee Services Ltd.

Annual Fees for trusteeship services and servicing fees are recognised, on a straight line basis, over the period when services are performed. Initial acceptance fee is recognised as and when the 'Offer Letter' for the services to be rendered is accepted by the customer.

Realised gains and losses on mutual funds are dealt with in the statement of profit and loss. The cost of units in mutual fund sold are determined on weighted average basis for the purpose of calculating gains or losses on sale/ redemption of such units.

Axis Asset Management Company Ltd.

Management fees are recognised on accrual basis at specific rates, applied on the average daily net assets of each scheme. The fees charged are in accordance with the terms of scheme information documents of respective schemes and are in line with the provisions of SEBI (Mutual Funds) Regulations, 1996 as amended from time to time.

Management fees from Portfolio Management Services, Alternate Investment Fund and Investment advisory fees-offshore are recognized on an accrual basis as per the terms of the contract with the customers.

Axis Mutual Fund Trustee Ltd.

Trustee fee is recognised on accrual basis, at the specific rates/amount approved by the Board of Directors of the Company, within the limits specified under the Deed of Trust, and is applied on the net assets of each scheme of Axis Mutual Fund.

Axis Finance Ltd.

Interest and other dues are accounted on accrual basis except in the case of non-performing loans where it is recognised upon realisation, as per the income recognition and asset classification norms prescribed by the RBI.

Income on discounted instruments is recognised over the tenure of the instrument on a straight-line method.

Axis Securities Ltd.

Business sourcing and resource management fee is recognised on accrual basis when all the services are performed.

Income from subscription plan to the extent of account opening fees is recognised upfront and balance is amortised over the validity of plan.

Selling commissions/brokerage generated from primary market operations i.e. procuring subscriptions from investors for public offerings of companies, mutual funds etc. are recorded on determination of the amount due to the company, once the allotment of securities are completed.

Brokerage income on securities is recognised as per contracted rates at the execution of transactions on behalf of the customers on the trade date. Gains/losses on dealing in securities are recognised on trade date basis.

Depository fees are recognised on completion of the transaction.

Portfolio management fees are accounted on accrual basis as follows:

In case of fees based on fixed percentage of the corpus/fixed amount, income is accrued at the end of the quarter/month.

In case of fees, based on the returns of the portfolio, income is accounted on each anniversary as per the agreement.

A.Treds Ltd.

Onboarding Fee is one time fee and is recognized at the time of onboarding of Buyer, Seller or financier. Transaction fee is recurring in nature and is recognised upfront on the date of the transaction. The company follows recognition of annual fee on time proportion basis over the tenure of one year.

Freecharge Payment Technologies Private Ltd.

Revenue from commission income

Merchant check out fee from wallet transaction is recognised on the basis of successful pay-out of wallet usage to the respective merchants. The transactions are settled on a daily basis with the merchant, net of MDR revenue. The taxes (GST) collected on behalf of the government and, therefore, these are not economic benefits flowing to the Company, hence, excluded from revenue.

Revenue from payment and storage service

The revenue from payment and storage service is recognised for providing PG aggregation service and as a payments platform for transactions of the merchant executed through payment gateway. The Company collects revenue on the basis of the payment gateway transactions routed through its payment platform on a monthly basis.

Other operating revenue

Revenues from ancillary activities like convenience fee, commission income etc, are recognised upon rendering of services.

Accelyst Solutions Private Ltd.

Revenue from commission income

Revenues from operating an internet portal providing recharge and bill payment services is recognised upon successful recharge / payment confirmation for the transactions executed. The taxes collected by company on behalf of the government are not economic benefits flowing to the Company, hence, they are excluded from revenue.

Miscellaneous revenue

Revenues from ancillary activities e.g. freefund code generation fees, convenience fee, sale of coupons and vendor's application installation etc. is recognised upon rendering of services. Upon expiry of validity of freefund codes sold by company, income is recognised to the extent of value of such codes.

Unbilled revenue

Receivable are generally carried at the original invoiced amount, less an allowance for doubtful receivables where there is objective evidence that balances will not be recovered in full. Unbilled receivables is recognized to the extent for the services not billed at the reporting date.

5.8 Scheme expenses

Axis Asset Management Company Ltd.

Fund Expenses

Expenses of schemes of Axis Mutual Fund in excess of the stipulated limits as per SEBI (Mutual Fund) Regulations, 1996 and expenses incurred directly (inclusive of advertisement/brokerage expenses) on behalf of schemes of Axis Mutual Fund are charged to the Profit and Loss Account.

New fund offer expenses

Expenses relating to new fund offer of Axis Mutual Fund are charged to the Profit and Loss Account in the year in which they are incurred.

Brokerage

Clawbackable brokerages paid by the Company in advance is charged to the statement of Profit and Loss account over the claw-back period/tenure of the respective scheme. The unamortized portion of the clawbackable brokerage is carried forward as prepaid expense.

Upfront brokerage on closed ended and fixed tenure schemes is amortized over the tenure of the respective scheme and in case of Equity Linked Saving Scheme (ELSS), upfront brokerage is amortized over 3 years. The unamortized portion of the brokerage is carried forward as prepaid expense. Any other brokerage is expensed out in the year in which they are incurred.

Brokerage paid on certain PMS products are amortised over the exit load period. Unamortised portion of brokerage is carried forward as prepaid expenses.

Brokerage paid on Alternate Investment Fund schemes is amortized over the minimum tenure of the scheme. The unamortized portion of the brokerage is carried forward as prepaid expense.

5.9 Fixed assets and depreciation/impairment

Group

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes initial handling and delivery charges, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

Depreciation is provided over the estimated useful life of a fixed asset on the straight-line method from the date of addition. The management believes that depreciation rates currently used, fairly reflect its estimate of the useful lives and residual values of fixed assets based on historical experience of the Group, though these rates in certain cases are different from lives prescribed under Schedule II of Companies Act, 2013.

Asset	Estimated useful life
Leased Land	As per the term of the agreement
Owned premises	60 years
Locker cabinets/cash safe/strong room door	10 years
EPABX, telephone instruments	8 years
Modem, scanner, routers, hubs, switches, racks/cabinets for IT equipment	5 years
UPS, VSAT, fax machines	5 years
Cheque book/cheque encoder, currency counting machine, fake note detector	5 years
Application software	5 years
Electronic Data Capture (EDC)/ Point of Sale (POS) machines	5 years
Vehicles	4 years
Computer hardware including printers	3 years
CCTV and video conferencing equipment	3 years
Assets at staff residence	3 years
Mobile phone	2 years
All other fixed assets	10 years

Depreciation on assets sold during the year is recognised on a pro-rata basis to the Profit and Loss Account till the date of sale.

In case of Bank, Profit on sale of premises is appropriated to Capital Reserve account (net of taxes and transfer to statutory reserve) in accordance with RBI instructions.

The carrying amounts of assets are reviewed at each Balance Sheet date to ascertain if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset’s net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

5.10 Non-banking assets

Non-banking assets (‘NBAs’) acquired in satisfaction of claims include land and other immovable property. In the case of land, the Bank creates provision and follows the accounting treatment as per specific RBI directions. Other non-banking assets are carried at lower of net book value and net realizable value.

5.11 Lease transactions

Group

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term. Lease income from assets given on operating lease is recognized as income in Profit and Loss Account on a straight line basis over the lease term.

5.12 Retirement and other employee benefits

Provident Fund

Axis Bank Ltd.

Retirement benefit in the form of provident fund is a defined benefit plan wherein the contributions are charged to the Profit and Loss Account of the year when the contributions to the fund are due and when services are rendered by the employees. Further, an actuarial valuation is conducted by an independent actuary using the Projected Unit Credit Method as at 31 March each year to determine the deficiency, if any, in the interest payable on the contributions as compared to the interest liability as per the statutory rate. Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

Subsidiaries

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognises contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service.

Gratuity

Axis Bank Ltd.

The Bank contributes towards gratuity fund (defined benefit retirement plan) administered by various insurers for eligible employees. Under this scheme, the settlement obligations remain with the Bank, although various insurers administer the scheme and determine the contribution premium required to be paid by the Bank. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with the Bank. Liability with regard to gratuity fund is accrued based on actuarial valuation conducted by an independent actuary using the Projected Unit Credit Method as at 31 March each year. In respect of employees at overseas branches (other than expatriates) liability with regard to gratuity is provided on the basis of a prescribed method as per local laws, wherever applicable. Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

Subsidiaries

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation using Projected Unit Credit Method made at the end of each financial year. Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

Compensated Absences

Axis Bank Ltd.

Compensated absences are short term in nature for which provision is held on accrual basis.

Axis Asset Management company Ltd.

The company does not have policy to carry forward and accumulation of privilege leave balances.

Subsidiaries other than Axis Asset Management company Ltd.

The Group provides for compensated absences based on actuarial valuation conducted by an independent actuary. The actuarial valuation is carried out as per the Projected Unit Credit Method as at 31 March each year. Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

Superannuation

Axis Bank Ltd.

Employees of the Bank are entitled to receive retirement benefits under the Bank's Superannuation scheme either under a cash-out option through salary or under a defined contribution plan. Through the defined contribution plan the Bank contributes annually a specified sum of 10% of the employee's eligible annual basic salary to LIC, which undertakes to pay the lumpsum and annuity benefit payments pursuant to the scheme. Superannuation contributions are recognised in the Profit and Loss Account in the period in which they accrue.

New Pension Scheme ('NPS')

Group

In respect of employees who opt for contribution to the 'NPS', the Group contributes certain percentage of the total basic salary of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies. NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue.

Long term deferred variable pay structure

Axis Capital Ltd.

As part of its variable pay structure, the company operates long term deferred variable pay structure plan in which it defers a part of the entitlement which is to be settled in installments over a period of three years at an amount which would be equivalent to the prevailing price of equity share of Bank at the time of settlement. The costs of providing benefits under this plan is determined on the basis of actuarial valuation at the year-end using projected unit credit method.

5.13 Long Term Incentive Plan (LTIP)

Axis Asset Management Company Ltd.

The Company has initiated Axis AMC - Long Term Incentive plan. The points granted to employees as per the guidelines laid down in the plan are encashable after they are held for a specified period as per the terms of the plan. The Company accounts for the liability arising on points granted proportionately over the period from the date of grant till the end of the exercise window. The liability is assessed and provided on the basis of valuation carried out by an independent valuer.

5.14 Reward points

Axis Bank Ltd.

The Bank runs a loyalty program which seeks to recognize and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. In addition, the Bank continues to grant reward points in respect of certain credit cards (not covered under the loyalty program). The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing an independent actuary. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

5.15 Taxation

Group

Income tax expense is the aggregate amount of current tax and deferred tax charge. Current year taxes are determined in accordance with the relevant provisions of Income tax Act, 1961. In case of overseas subsidiary the local tax laws prevailing in that country are followed. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off assets against liabilities representing current tax and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The impact of changes in the deferred tax assets and liabilities is recognised in the Profit and Loss Account.

Deferred tax assets are recognised and reassessed at each reporting date, based upon the Management's judgement as to whether realisation is considered as reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realised against future profits.

5.16 Share issue expenses

Group

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

5.17 Earnings per share

Group

The group reports basic and diluted earnings per share in accordance with AS-20, Earnings per Share, as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end except where the results are anti-dilutive.

5.18 Employee stock option scheme

Axis Bank Ltd.

The 2001 Employee Stock Option Scheme ('the Scheme') provides for grant of stock options on equity shares of the Bank to employees and Directors of the Bank and its subsidiaries. The Scheme is in accordance with the Securities and Exchange Board of India (SEBI) (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('the Guidelines'). These Guidelines have been repealed in the month of October, 2014 and were substituted by Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The Scheme is in compliance with the said regulations. The Bank follows the intrinsic value method to account for its stock based employee compensation plans as per the Guidelines. Options are granted at an exercise price, which is equal to/ less than the fair market price of the underlying equity shares. The excess of such fair market price over the exercise price of the options as at the grant date, if any, is recognised as a deferred compensation cost and amortised on a straight-line basis over the vesting period of such options.

The fair market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

5.19 Provisions, contingent liabilities and contingent assets

Group

A provision is recognised when the Group has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Group; or

- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

5.20 Accounting for dividend

Group

As per 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, the group does not account for proposed dividend (including tax) as a liability through appropriation from the profit and loss account. The same is recognised in the year of actual payout post approval of shareholders. However, the Bank reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

5.21 Cash and cash equivalents

Group

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.