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# MANAGING DIRECTOR & CEO'S LETTER TO THE SHAREHOLDERS

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

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

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

**Shikha Sharma**
Managing Director & CEO
22nd April 2011

# BOARD OF DIRECTORS*

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

# THE CORE MANAGEMENT TEAM

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

*as on 22 April 2011

**M/s Deloitte Haskins & Sells** — Auditors
Chartered Accountants

**M/s Karvy Computershare Private Limited** — Registrar and Share Transfer Agent
**UNIT : AXIS BANK LIMITED**
Plot No. 17 to 24, Vithalrao Nagar, Madhapur, Hyderabad - 500 081
Tel. No. : 040-23420815 to 23420824 Fax No. : 040-23420814

**Registered Office**
'Trishul', 3rd Floor, Opp. Samartheshwar Temple, Law Garden, Ellisbridge, Ahmedabad - 380 006.
Tel. No. : 079-2640 9322 Fax No : 079-2640 9321 Email : p.oza@axisbank.com, rajendra.swaminarayan@axisbank.com
Web site : www.axisbank.com

**Corporate Office**
Axis House, Bombay Dyeing Mills Compound, Pandurang Budhkar Marg, Worli, Mumbai – 400 025
Tel. No. : 022-24252525/43252525 and Fax No. : 022-43251800

# SNAP SHOT OF KEY FINANCIAL INDICATORS : 2007 - 2011

*(₹ in crores)*

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

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

# HIGHLIGHTS

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

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

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

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

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

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

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

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

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

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

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

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

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

# DIRECTORS' REPORT: 2010-11

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

**FINANCIAL PERFORMANCE**

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

*(₹ in crores)*

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

(1) Excluding Merchant Exchange Profit

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

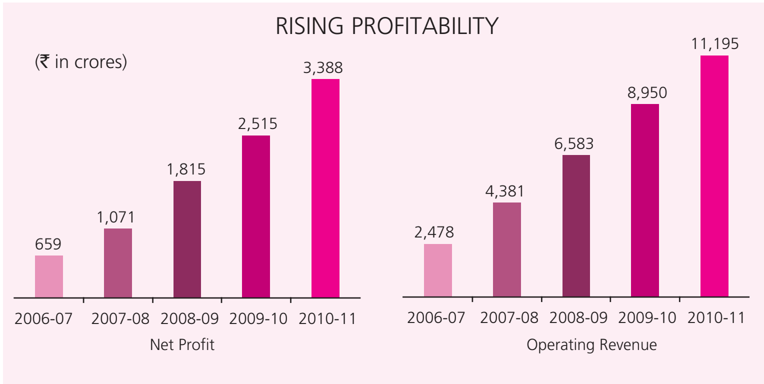
*   Working funds represent average total assets.

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

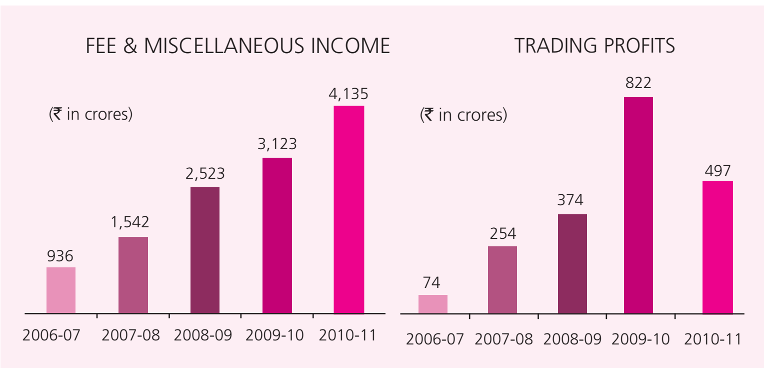
*** Customer Assets include advances and credit substitutes.

Previous year figures have been regrouped wherever necessary.

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



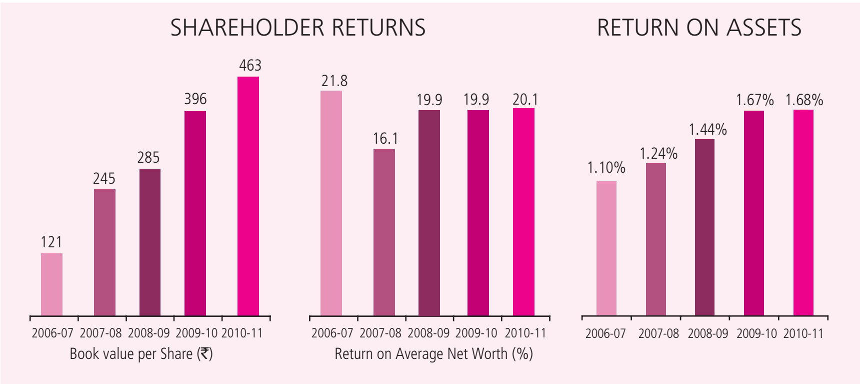

The Bank's total income increased 26.97% to reach ₹19,786.94 crores during 2010-11, compared to ₹15,583.80 crores last year. Operating revenue during this period increased 25.08% to ₹11,195.12 crores while operating profit increased by 22.42% to ₹6,415.69 crores. The growth in revenues may be attributed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




Other income comprising fees, trading profit and miscellaneous income also rose 17.39% to ₹4,632.13 crores in 2010-11 from ₹3,945.78 crores last year. Fee income constituted 33.86% of the operating revenue of the Bank and rose 29.59% to ₹3,790.37 crores from ₹2,924.96 crores last year. The Bank earns fee income from a diverse set of products and businesses such as client-based merchant foreign exchange trade, service charges from account maintenance, transaction banking including cash management services, syndication and placement fees, processing fees from loans and commission on non-funded products such as letters of credit and bank guarantees, inter-change fees on ATM-sharing arrangements and fee income from the distribution of third-party personal investment products. During the year, proprietary trading profits fell 39.57% to ₹496.97 crores from ₹822.38 crores last year, primarily due to adverse market conditions in the debt and equity markets. Miscellaneous income was buoyant, rising 73.75% mainly due to strong recoveries of loans and derivative receivables written-off in previous years. During the year, such recoveries amounted to ₹325.22 crores compared to ₹174.43 crores last year.

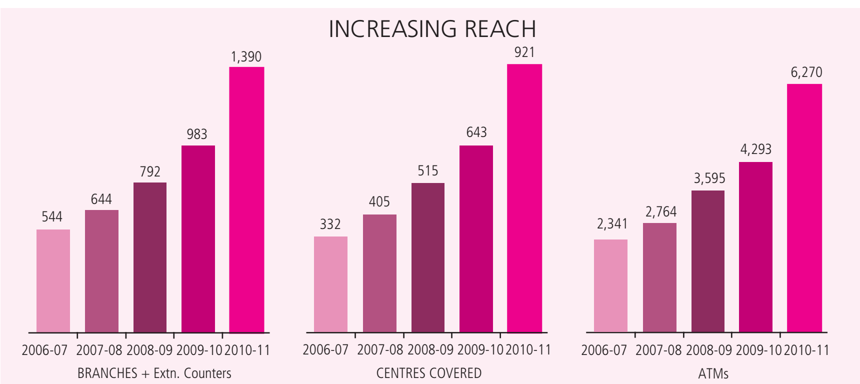
During the year, the operating revenue of the Bank increased 25.08% to ₹11,195.12 crores from ₹8,950.27 crores last year. The core income streams (NII, fee and miscellaneous income) constituted 95.56% of the operating revenue, reflecting the stability and sustainability of the Bank's earnings. Operating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

During the year, the operating profit of the Bank increased 22.42% to ₹6,415.69 crores from ₹5,240.55 crores last year. During this period, provisions (excluding provisions for tax) charged to the Profit & Loss account were ₹1,280.03 crores compared to ₹1,389.19 crores last year. Of this, provisions for loan losses were ₹955.12 crores compared to ₹1,357.04 crores last year, while the provision for standard assets was ₹166.16 crores. The Bank accelerated its provisioning requirements in some portfolios as a measure of prudence, increasing the overall provision coverage. The Bank also provided ₹15.06 crores compared to ₹56.47 crores last year against restructured assets. During 2010-11, the Bank restructured loans of ₹404 crores, significantly lower than ₹1,633 crores last year. The Bank continued to maintain a generally healthy asset-quality with a ratio of Gross NPAs to gross customer assets of 1.01% compared to 1.13% last year and a Net NPA ratio (percentage of Net NPAs as percentage of net customer assets) of 0.26% compared to 0.36% last year. With higher levels of provisions, built over and above regulatory norms during the year, the Bank has further improved its provision-coverage to 80.90% (after considering prudential write-offs) from 72.38% last year.




Due to a consistent trajectory of core earnings, there has been an all-round improvement in various financial metrics. The Return on Equity (RoE) improved to 20.13% from 19.89% last year. Basic Earnings Per Share (EPS) rose to ₹82.95 from ₹65.78 last year, while the Diluted Earnings Per Share was ₹81.61 compared to ₹64.31 last year. The Book Value Per Share increased from ₹395.99 on 31 March, 2010 to ₹462.77 on 31 March, 2011, while Return on Assets (RoA) improved to 1.68% from 1.67% last year. Employee productivity has also improved with Profit per Employee increasing to ₹14.35 lacs from ₹11.63 lacs last year and Business per Employee increasing to ₹13.66 crores from ₹11.11 crores last year. Hardening of interest rates on Term Deposits in the final quarter of the year pushed up the cost of funds, compressing the Net interest Margin by 10 basis points of the year to 3.65% from 3.75% last year. The quarterly NIMs during the year were as follows: 3.71% in Q1, 3.68% in Q2, 3.81% in Q3 and 3.44% in Q4.

The total assets of the Bank were ₹242,713 crores, rising 34.36% from ₹180,648 crores last year. As on 31 March, 2011, total deposits stood at ₹189,238 crores against ₹141,300 crores last year, a growth of 33.93%. Low-cost demand deposits: Current Accounts and Savings Bank (CASA) deposits were ₹77,767 crores as on 31 March, 2011 against ₹66,030 crores last year, constituting 41.10% of total deposits as compared to a proportion of 46.73% last year. At the end of March 2011, Savings Bank deposits increased by 20.64% to ₹40,850 crores, while current account deposits increased by 14.76% to ₹36,917 crores. During 2010-11, the percentage share of CASA in total deposits, on a daily average basis, was 39.40% compared to 40.39% last year. On a daily average basis, Savings Bank deposits increased by 36.03% to ₹36,072 crores, while Current Account deposits increased by 28.15% to ₹23,479 crores. During the year, total advances increased by 36.48% to ₹142,408 crores. Of this, corporate advances (comprising large, infrastructure and mid-corporate accounts) grew 44.60% to ₹75,922 crores. During this period, advances to the SME segment increased by 17.17% to ₹21,406 crores, while agricultural lending (including lending to microfinance) stood at ₹17,320 crores, increasing 35.88% over the last year. Retail loans increased 33.32% to ₹27,759 crores. The total investments of the Bank increased 28.61% to ₹71,992 crores. Investments in government and approved securities, mainly held to meet the Bank's SLR requirement, increased 29.25% to ₹44,198 crores. Other investments, including corporate debt securities, increased 27.62% to ₹27,794 crores. As on 31 March, 2011, the total assets of the Bank's overseas branches stood at ₹22,245 crores constituting 9.16% of the Bank's total assets.



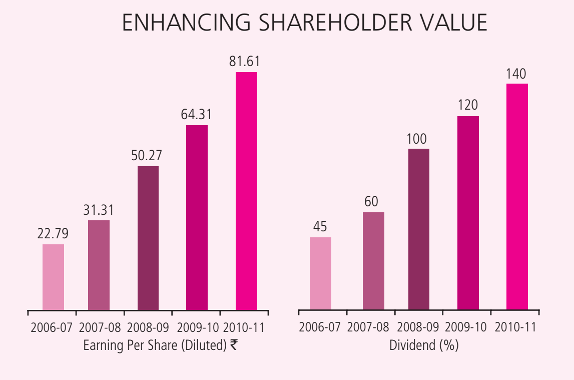

As a conscious strategy of building a network of branches and ATMs with effective penetration, the Bank continued to enlarge its geographical coverage of centres with potential for growth, especially in the areas with potential for low-cost CASA deposits, lending to retail, agriculture and SME segments and the distribution of third party products. During the year, 407 new branches were added to the Bank's network taking the total number of branches and extension counters

(ECs) to 1,390. Of these, 564 branches/ECs are in semi-urban and rural areas and 826 branches/ECs are in metropolitan and urban areas. The Bank is present in all states and Union Territories (except Lakshadweep) covering 921 centres. The ATM network of the Bank increased from 4,293 last year to 6,270 as on 31 March, 2011. During the year, the Bank also opened a Representative Office in Abu Dhabi. This was in addition to the existing branches at Singapore, Hong Kong and DIFC (Dubai International Financial Centre) and representative offices at Shanghai and Dubai.

**CAPITAL & RESERVES**

The Bank is well capitalised at present with an overall Capital Adequacy Ratio (CAR) of 12.65% at the end of the year, well above the benchmark requirement of 9% stipulated by Reserve Bank of India. Of this, Tier I CAR was 9.41% against 11.18% a year earlier, while the Tier II CAR was at 3.24% against 4.62% a year earlier.

During the year under review, 5,371,724 equity shares were allotted to employees of the Bank pursuant to the exercise of options under its Employee Stock Option Scheme. The paid-up capital of the Bank as on 31 March, 2011 rose to ₹410.55 crores from ₹405.17 crores as on 31 March, 2010. The shareholding pattern of the Bank as of 31 March, 2011 is stated below.




| Sr. No. | Name of Shareholders | % of Paid Up Capital |
|---|---|---|
| i. | Administrator of the Specified Undertaking of the Unit Trust of India (SUUTI) | 23.68 |
| ii. | Life Insurance Corporation of India | 9.56 |
| iii. | General Insurance Corporation and four PSU Insurance Companies | 3.97 |
| iv. | Overseas Investors including FIIs/OCBs/NRIs | 37.89 |
| v. | Foreign Direct Investment (GDR issue) | 9.19 |
| vi. | Other Indian Financial Institutions/Mutual Funds/Banks | 5.12 |
| vii. | Others | 10.59 |
| | **Total** | **100.00** |

The Bank's shares are listed on the NSE and the BSE. The GDRs issued by the Bank are listed on the London Stock Exchange (LSE). The Bonds issued by the Bank under the MTN programme are listed on the Singapore Stock Exchange. The listing fees relating to all stock exchanges for the current year have been paid. With effect from 26 March, 2001, the shares of the Bank have been included and traded in the BSE's Group 'A' stocks. With effect from 27 March, 2009, the Bank's shares have been included and traded as part of the main NIFTY Index of the NSE. Earlier, the shares of the Bank were part of the NIFTY Junior Index of the NSE.

**DIVIDEND**

In view of the overall performance of the Bank and the objective of rewarding shareholders with cash dividends while retaining capital to maintain a healthy capital adequacy ratio to support future growth, the Board of Directors has recommended a higher dividend of ₹14.00 per equity share, compared to ₹12.00 per equity share declared for 2009-10. This dividend shall be subject to tax on dividend to be paid by the Bank. This increase reflects our confidence in the Bank's ability to consistently grow earnings over time.

**BOARD OF DIRECTORS**

During the year, some changes have taken place in the composition of the Board of Directors. Shri M. S. Sundara Rajan, former Chairman and Managing Director of Indian Bank, was appointed as an Additional Independent Director with effect from 8 June, 2010. He resigned with effect from 22 February, 2011. Shri S. K. Roongta, former Chairman of SAIL, was appointed as an Additional Independent Director with effect from 15 July, 2010. Shri S. K. Chakrabarti, former Executive Director (Retail Banking, SME and Agri.) of the Bank was appointed as the Deputy Managing Director of the Bank with effect from 27 September, 2010. Shri Prasad R. Menon, former Managing Director, Tata Power Limited, was appointed as an Additional Independent Director with effect from 9 October, 2010. Shri R. N. Bhattacharyya, former IPS officer and nominee of the Specified Undertaking of the Unit Trust of India (SUUTI) was appointed as an Additional Director with effect from 17 January, 2011.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Bank, Shri R. B. L. Vaish and Shri K. N. Prithviraj retire by rotation at the Seventeenth Annual General Meeting and, being eligible, offer themselves for re-appointment as Directors of the Bank. Shri J. R. Varma also retires by rotation but he has expressed his desire not to be re-appointed as his term of continuous period of eight years as Director under the provisions of Section 10-A(2-A)(i) of the Banking Regulation Act, 1949, comes to an end with effect from 25 June, 2011.

**SUBSIDIARIES**

The Bank has set up six wholly-owned subsidiaries: Axis Securities and Sales Ltd., Axis Private Equity Ltd., Axis Trustee Services Ltd., Axis Asset Management Company Ltd., Axis Mutual Fund Trustee Ltd. and Axis U.K. Ltd.

Axis Securities and Sales Ltd. is primarily in the business of marketing of credit cards and retail asset products as well as retail broking. The objective of this subsidiary is to build a specialised force of sales personnel and optimise operational efficiency by providing greater control over the sales functions, as compared to a Direct Sales Agent (DSA) model, as well as undertake retail broking business. Axis Private Equity Ltd., primarily carries on the activities of managing equity investments and provides venture capital support to businesses. Axis Trustee Services Ltd. is engaged in trusteeship activities (e.g. acting as debenture trustee and as trustee to various securitisation trusts). Axis Asset Management Company Ltd. primarily undertakes the activities of managing a mutual fund business and the Axis Mutual Fund Trustee Ltd. was set up to act as the trustee for the mutual fund business. On 7 March, 2011, the Bank has incorporated a new subsidiary namely Axis U.K. Ltd. as a private limited company registered in the United Kingdom (UK) with the main purpose of filing an application with Financial Services Authority (FSA), UK for a banking license in the UK and for the creation of necessary infrastructure for the subsidiary to commence banking business in the UK. As on 31 March, 2011, Axis U.K. Ltd. had not commenced operations.

In terms of an exemption received from the Ministry of Corporate Affairs, Government of India through its letter no. 47/19/2011-CL-III dated 21 January, 2011, under Section 212(8) of the Companies Act, 1956, copies of Directors' Reports, Auditors' Reports and the financial statements of the five subsidiaries (Axis Securities and Sales Ltd., Axis Private Equity Ltd., Axis Trustee Services Ltd., Axis Asset Management Company Ltd. and Axis Mutual Fund Trustee Ltd.) have not been attached to the accounts of the Bank for the financial year ended 31 March, 2011. Any shareholder who may be interested in obtaining a copy of the aforesaid documents may write to the Company Secretary at the Registered Office of the Bank. These documents will also be available for examination by shareholders of the Bank at its Registered Office. Documents related to individual subsidiaries will similarly be available for examination at the respective registered offices of the five companies. In line with the Accounting Standard 21 (AS 21) issued by the Institute of Chartered Accountants of India, the consolidated financial results of the Bank along with its subsidiaries for the year ended 31 March, 2011 are enclosed as an Annexure to this report.

**PROPOSED ACQUISITION OF ENAM SECURITIES PVT. LTD. BY AXIS SECURITIES AND SALES LTD.**

At their meetings held on 17 November, 2010, the Board of Directors of the Bank, Enam Securities Private Limited (ESPL) and Axis Securities and Sales Limited (ASSL), a wholly-owned subsidiary of the Bank, approved the acquisition of certain businesses undertaken by ESPL directly and through its wholly owned subsidiaries, by ASSL by way of a demerger. It is envisaged that these businesses will be transferred to ASSL, pursuant to a Scheme of Arrangement, as may be approved by the relevant High Courts under Sections 391 to 394 and other relevant provisions of the Companies Act, 1956 and subject to receipt of necessary requisite approvals. The appointed date for the purpose of the Demerger under the Scheme shall be 1 April, 2010. The valuation of ESPL business was assessed at ₹2,067 crores in consideration for the demerger, the Bank will issue shares in the ratio of 5.7 equity shares of the Bank (aggregating 13,782,600 equity shares) of the face value of ₹10 for every 1 equity share (aggregating 2,418,000 equity shares) of ₹10 each held by shareholders of ESPL.

**EMPLOYEE STOCK OPTION PLAN (ESOP)**

The Bank has instituted an Employee Stock Option Scheme to enable its employees and the employees of its subsidiaries including whole-time Directors, to participate in the future growth and financial success of the Bank. Under the Scheme 40,517,400 options can be granted to employees. The employee stock option scheme is in accordance with the Securities and Exchange Board of India (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999. The eligibility and number of options to be granted to an employee is determined on the basis of the employee's work performance and is approved by the Board of Directors.

The Bank's shareholders approved plans for the issuance of stock options to employees in February 2001, June 2004, June 2006, June 2008 and June 2010. Under the first two plans and upto the grant made on 29 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 has had the maximum trading volume of the Bank's equity share during that period. Under the third plan and with effect from the grant made by the Bank on 10 June, 2005, the pricing formula has been changed to the closing price on the day previous to the grant date. The Remuneration and Nomination Committee granted options under these plans on ten occasions: 1,118,925 during 2000-01, 1,779,700 during 2001-02, 2,774,450 during 2003-04, 3,809,830 during 2004-05, 5,708,240 during 2005-06, 4,695,860 during 2006-07, 6,729,340 during 2007-08, 2,677,355 during 2008-09, 4,413,990 during 2009-10 and 2,915,200 during 2010-11. The options granted, which are non-transferable, vest at rates of 30%, 30% and 40% on each of three successive anniversaries following the grant, subject to standard vesting conditions, and must be exercised within three years of the date of vesting. As of 31 March, 2011, 21,709,978 options had been exercised and 11,122,518 options were in force.

Other statutory disclosures as required by the revised SEBI guidelines on ESOPs are given in the Annexure to this report.

**CORPORATE GOVERNANCE**

The Bank is committed to achieving the highest standards of corporate governance and it aspires to benchmark itself with international best practices in this regard. The corporate governance practices followed by the Bank are enclosed as an Annexure to this report.

The Bank has adopted a major part of the recommendations contained in the Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs and is examining the possibility of implementing the remaining recommendations.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors hereby declares and confirms that:

i. The applicable accounting standards have been followed in the preparation of the annual accounts and proper explanations have been furnished, relating to material departures.

ii. Accounting policies have been selected, and applied consistently and reasonably, and prudent judgements and estimates have been made so as to give a true and fair view of the state of affairs of the Bank and of the Profit & Loss of the Bank for the financial year ended 31 March, 2011.

iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records, in accordance with the provisions of the Companies (Amendment) Act, 2000, for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities.

iv. The annual accounts have been prepared on a going concern basis.

v. The Bank has in place a system to ensure compliance of all laws applicable to the Bank.

**STATUTORY DISCLOSURE**

Considering the nature of activities of the Bank, the provisions of Section 217(1)(e) of the Companies Act, 1956 relating to conservation of energy and technology absorption do not apply to the Bank. The Bank is, however, constantly pursuing its goal of technological upgradation in a cost-effective manner for delivering quality customer service.

The statement containing particulars of employees as required under Section 217(2A) of the Companies Act, 1956 and the rules thereunder, is given in an Annexure appended hereto and forms part of this report. In terms of Section 219(1) (iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any shareholder interested in obtaining a copy of the Annexure may write to the Company Secretary at the Registered Office of the Bank.

**AUDITORS**

M/s Deloitte Haskins & Sells, Chartered Accountants, Statutory Auditors of the Bank will retire on the conclusion of the Seventeenth Annual General Meeting and are eligible for re-appointment, subject to the approval of Reserve Bank of India and of the shareholders. As recommended by the Audit Committee of the Board, the Board of Directors has proposed the appointment of M/s Deloitte Haskins & Sells, Chartered Accountants as Statutory Auditors for the financial year 2011-12. The shareholders are requested to consider their appointment on the remuneration to be decided by the Audit Committee of the Board.

**ACKNOWLEDGEMENTS**

The Board of Directors places on record its gratitude to the Reserve Bank of India, other government and regulatory authorities, financial institutions 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 employees of the Bank for their strong work ethic, excellent performance, professionalism, team work, 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** — **Adarsh Kishore**

**Date : 22nd April, 2011** — **Chairman**

# ANNEXURE

## STATUTORY DISCLOSURES REGARDING ESOP (FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH, 2011)

| ESOS 2000-01 (Grant date) | Exercise Price (₹) | Options Granted | Options Exercised & Shares Allotted* | Options lapsed/ cancelled | Total Options (in force) As on March 31, 2011 | Options Vested | Money realised by exercise of options (₹ in lacs) |
|---|---|---|---|---|---|---|---|
| **24 Feb. 2001** | **38.63** | 1,118,925 | 1,036,969 | 81,956 | - | - | 400.58 |
| **28 Feb. 2002** | **29.68** | 1,779,700 | 1,668,835 | 110,865 | - | - | 495.31 |
| **6 May 2003** | **39.77** | 2,774,450 | 2,470,907 | 303,543 | - | - | 982.68 |
| **29 April 2004** | **97.62** | 3,809,830 | 3,288,363 | 521,467 | - | - | 3,210.10 |
| **10 June 2005** | **232.10** | 5,708,240 | 4,559,337 | 911,259 | 237,644 | 237,644 | 10,582.22 |
| **17 April 2006** | **319.00** | 4,695,860 | 3,569,590 | 591,788 | 534,482 | 534,482 | 11,386.99 |
| **17 April 2007** | **468.90** | 6,729,340 | 3,892,682 | 866,182 | 1,970,476 | 1,970,476 | 18,252.79 |
| **21 April 2008** | **824.40** | 2,677,355 | 598,327 | 130,973 | 1,948,055 | 987,915 | 4,932.61 |
| **20 April 2009** | **503.25** | 4,263,990 | 624,968 | 226,361 | 3,412,661 | 703,783 | 3,145.15 |
| **13 July 2009** | **738.25** | 100,000 | - | - | 100,000 | 30,000 | - |
| **7 Sept. 2009** | **907.25** | 50,000 | - | - | 50,000 | 15,000 | - |
| **20 April 2010** | **1,159.30** | 2,723,500 | - | 43,000 | 2,680,500 | - | - |
| **7 June 2010** | **1,245.45** | 10,000 | - | - | 10,000 | - | - |
| **8 June 2010** | **1,214.80** | 181,700 | - | 3,000 | 178,700 | - | - |
| **Total** | | **36,622,890** | **21,709,978** | **3,790,394** | **11,122,518** | **4,479,300** | **53,388.43** |

* One (1) share would arise on exercise of one (1) stock option

**Other details are as under:**

| | |
|---|---|
| Pricing Formula | Fixed Price i.e. The average daily high – low price of the shares of the Bank traded during the 52 weeks preceding the date of grant at that stock exchange which has had the maximum trading volume of the Bank's share during that period.<br><br>For options granted on and after 10 June, 2005, the exercise price considered is the closing market price as on the day preceding the date of the grant at that stock exchange which has had the maximum trading volume of the Bank's share. |
| Variation in terms of ESOP | None |
| **Details of options granted:** | |
| • Employee wise details of grants to Senior managerial personnel | Managing Director & CEO : 275,000 options<br>Deputy Managing Director : 270,380 options |
| • Employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year | Managing Director & CEO : 175,000 options |
| • Identified employees who were granted options, during any one year, equal or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Bank under the grant | None |

| | |
|---|---|
| Diluted Earnings Per Share pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share' | ₹81.61 per share |
| **Weighted average exercise price of Options whose:** | |
| • Exercise price equals market price | Weighted average exercise price of the stock options granted during the year is ₹1,163.05. |
| • Exercise price is greater than market price | Nil |
| • Exercise price is less than market price | Nil |
| **Weighted average fair value of Options whose:** | |
| • Exercise price equals market price | Weighted average fair value of the stock options granted during the year is ₹485.98. |
| • Exercise price is greater than market price | Nil |
| • Exercise price is less than market price | Nil |
| **Fair Value Related Disclosure** | |
| • Increase in the employee compensation cost computed at fair value over the cost computed using intrinsic cost method | ₹107.97 crores |
| • Net Profit, if the employee compensation cost had been computed at fair value | ₹3,280.52 crores |
| • Basic EPS, if the employee compensation cost had been computed at fair value | ₹80.31 per share |
| • Diluted EPS, if the employee compensation cost had been computed at fair value | ₹79.01 per share |
| **Significant Assumptions used to estimate fair value** | |
| • Risk free interest rate | 5.98%-7.17% |
| • Expected life | 2 - 4 years |
| • Expected Volatility | 54.72% - 61.66% |
| • Dividend Yield | 1.24%-1.32% |
| • Price of the underlying share in the market at the time of option grant | During the year, three grants have been made at the following prices:<br>₹1,159.30<br>₹1,245.45<br>₹1,214.80 |

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

| Sr. No. | Name of the Subsidiary Company | Financial year end of the subsidiary | Number of equity shares held by Axis Bank and/or its nominees in subsidiary as on 31 March, 2011 | Extent of interest of Axis Bank in the capital of the subsidiary | Net aggregate amount of profits/(losses) of the subsidiary so far as it concerns the members of Axis Bank Ltd. and is not dealt with in the accounts of Axis Bank Ltd. for the financial year ended 31 March, 2011 (₹ in thousands) | Net aggregate amount of profits/(losses) of the subsidiary so far as it concerns the members of Axis Bank Ltd. and is dealt with or provided for in the accounts of Axis Bank Ltd. for the financial year ended 31 March, 2011 (₹ in thousands) |
|---|---|---|---|---|---|---|
| 1. | Axis Securities and Sales Limited | 31-3-2011 | 80,000,000 shares of ₹10.00 each fully paid up | 100% | (81,719) | Nil |
| 2. | Axis Private Equity Limited | 31-3-2011 | 15,000,000 shares of ₹10.00 each fully paid up | 100% | 24,259 | Nil |
| 3. | Axis Trustee Services Limited | 31-3-2011 | 1,500,000 shares of ₹10.00 each fully paid up | 100% | 81,008 | Nil |
| 4. | Axis Mutual Fund Trustee Limited | 31-3-2011 | 50,000 shares of ₹10.00 each fully paid up | 100% | 219 | Nil |
| 5. | Axis Asset Management Company Limited | 31-3-2011 | 124,000,000 shares of ₹10.00 each fully paid up | 100% | (454,449) | Nil |

**For Axis Bank Ltd.**

**Adarsh Kishore**
Chairman

**R. H. Patil**
Director

**R. B. L. Vaish**
Director

**Shikha Sharma**
Managing Director & CEO

**Sushil Kumar Roongta**
Director

**S. B. Mathur**
Director

**S. K. Chakrabarti**
Deputy Managing Director

**P. J. Oza**
Company Secretary

**Somnath Sengupta**
Executive Director & CFO

Date : 22nd April, 2011
Place: Mumbai

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## MACRO-ECONOMIC ENVIRONMENT

The Indian economy has emerged rapidly from the slowdown caused by the global financial crisis of 2007-09 and remains one of the fastest growing economies of the world. After dipping to 6.8% in 2008-09, GDP growth had recovered sharply to 8% and is projected to remain above this level in 2010-11. Economic and financial events over the year, however, have increased concerns about the sustainability of the growth momentum.

On the global front, although some of the developed economies seemed to have recovered quickly in the latter half of 2010, they now face growing headwinds, which will probably lead to a moderation of growth in the latter half of 2011. Europe's sovereign debt burden continues to remain high on investors' minds, despite the establishment of the European Financial Stability Facility and the fragile fiscal situation of 'peripheral' Europe will cast a shadow on the relatively stronger 'core'. The US mortgage market remains weak and employment creation is still not strong enough to sustain the currently improved growth prospects. Japan's economic trajectory remains uncertain. China is actively working to cool down its economy, and so are the central banks of many large emerging markets. Three concerns are likely to persist in 2011-12: high inflation, fiscal stress and the current account deficit. The impact of each of these is likely to be felt with varying intensity during the course of 2011-12.

High and persisting inflation has emerged as a significant risk factor in sustaining India's growth. Initially confined to high food prices, which had persisted despite a good monsoon, inflationary pressures are spilling over to other non-food segments, including manufactured products. Globally, food prices had spiked in 2010 due to supply disruptions in major crop geographies. Commodity prices had increased on prospects of higher growth in developed markets and in the latter part of the year, so have crude prices. In general, higher global metals and commodity prices have contributed to rising input costs for India, which may be progressively passed on to consumers.

The second stress point has been a high fiscal deficit, which had increased in the two previous years as a result of the fiscal stimulus introduced to counter the effects of the financial crisis. Persisting high fiscal deficits have the effect of increasing interest rates, due to the consequent market borrowings by the Government, thereby squeezing private investments. The Budget for 2011-12 has attempted to restrain the deficit, in line with the earlier stated intention of adhering to the Fiscal Responsibility and Budget Management agreement (FRBM).

The third concern was a high current account deficit, particularly in the context of weakening capital flows, which have hitherto managed to compensate the rising trade deficit. The current account deficit was a manifestation of strong domestic demand (which fuelled imports) and global weakness (which kept export performance moderate). This pressure has abated somewhat during the past few months, with rising exports and slowing (non-oil) imports. However, a strong rebound in India's exports over the past couple of months has considerably reduced the pressure, but India's overall balance of payments remains weaker than expected, putting pressure on the Rupee.

Although capital inflows have remained strong, there have also been large outflows from India, leaving only a moderate Balance of Payments surplus of $11 billion during April-December after offsetting the large current account deficit. Foreign direct investments as well as portfolio investments have slowed in Q3 of fiscal 2011, offsetting the increase in banking capital and external borrowings. In addition, it was perceived that a large part of the compensating capital flows were portfolio flows, which are considered to be volatile.

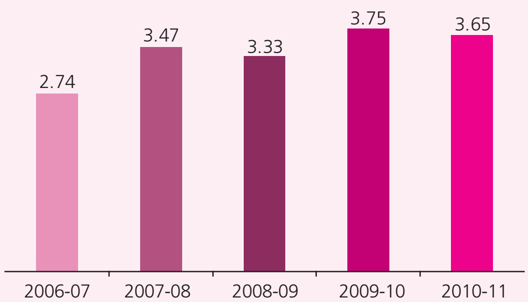
The banking sector, which remains the primary channel of financial intermediation, has seen a slowdown in deposit growth in 2010-11, due to multiple factors. Public holding of cash increased sharply in the early part of the year and has subsequently remained high. As highlighted earlier, net foreign funds inflows have also remained relatively subdued, with the large portfolio inflows early in the year being balanced by capital outflows and the high merchandise trade deficit. A third factor was an unusually large accretion of central Government surpluses, partially due to the telecom 3G auctions, which had remained sequestered with the RBI over much of the year.

The Reserve Bank of India (RBI) has sought to contain inflation and temper inflationary expectations with a gradual and calibrated monetary policy tightening, beginning in early 2010. The initial intention was moving from an accommodative phase into normalisation, but thereafter changed into a tightening phase with confidence about growth impulses remaining robust and concerns about persisting high inflation. Combined with the tight liquidity conditions, this has resulted in a much larger increase in banks' cost of funds. Consequently, consistent with the desired transmission of policy signals, banks have progressively increased their lending rates.

The higher cost of funds for borrowers is beginning to have an effect, although it is still too early to spot definitive trends given the presumed lags in monetary policy transmission. Industrial growth has slowed, not just because of statistical base effects, but even in seasonally adjusted month on month terms. There are reports of increasing automobile and housing inventories.

**Prospects for Fiscal 2012**

The fundamental drivers of India's medium term growth prospects remain intact. However, global developments, in conjunction with Indian policy responses to the concerns noted above, are likely to make 2011-12 a challenging year.



Net Interest Margins (%)

Net interest Income (₹. in crores)

Global economic and financial conditions can be expected to remain adverse for some time, particularly in the aftermath of Japan's natural disaster. Once the current financial and commodity volatility subsides, deeper structural factors are likely to slow down economic growth, particularly in developed economies. Fiscal consolidation in Europe and an excess supply overhang in the US will probably moderate growth in the second half, together with increasing expectations of policy rate rises to quell rising inflation.

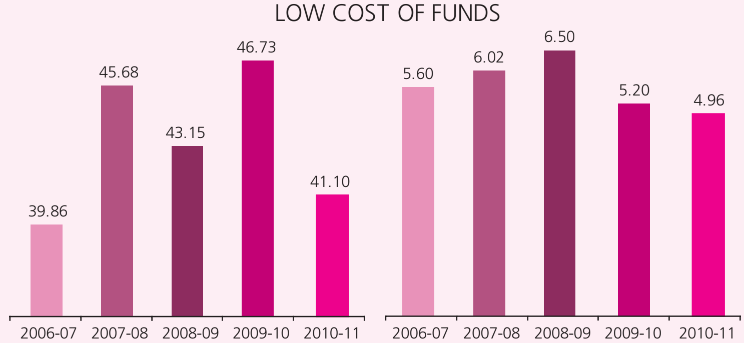
In India inflationary pressures are likely to persist and hence result in a further, though moderate, monetary policy tightening, the impact of which will be increasingly visible, through rising borrowing costs, in fiscal 2012. The fiscal deficit is budgeted at 4.6% to GDP in fiscal 2012, in line with the FRBM. There may be some slippage, though, as subsidy outgo (food, fertilizer, petroleum) may rise later in the year. The magnitude of market borrowings to fund the deficit is likely to keep longer term yields under pressure.

Increasing savings, high interest rates, an expected lower rise in currency driven by lower food prices, are likely to help deposits to grow stronger in fiscal 2012. However, in light of the inflationary pressures and rising interest rates, there is a likelihood that the credit growth momentum might slow in 2011-12.

**OVERVIEW OF FINANCIAL AND BUSINESS PERFORMANCE**

During 2010-11, the Bank continued to grow its key businesses and revenues. Having laid down its key business objectives and a common vision for its employees, it took several steps in fulfilling these goals. The Bank continued to derive benefit from its corporate relationships and retail liabilities franchise as well as build upon its SME, consumer lending, agriculture and rural banking businesses. The Bank focused on strengthening its retail risk management capabilities, sharpening risk appetite in the SME business and filling product gaps in both corporate as well as retail businesses. During the year, the Bank partnered with Max New York Life for marketing its life insurance products and also launched online broking through its subsidiary, Axis Securities and Sales Ltd.

LOW COST OF FUNDS



Demand Deposits as % Share of Total Deposits

Cost of Funds (%)

The Bank undertook a significant organisational restructuring initiative during the year, replacing four erstwhile Zones with twenty six Circles with a view to providing closer and more focused business and operations support to branches on the ground. Several other initiatives taken by the Bank during the year are outlined below.

- A consumer strategy for developing consumer insights through customer research.
- Leadership development programs aimed at providing growth opportunities to employees.
- Review of processes for delivering superior quality of services to customers.

The Bank's Corporate Office has moved to its own premises, Axis House, which houses all corporate office functions under one roof and is designed to the highest specifications of environmental friendliness.

**CAPITAL MANAGEMENT**

The Bank strives for enhancement of shareholder value by efficient use of capital. Towards this end, its capital management framework helps ensure an appropriate composition of capital and an optimal mix of businesses.

The Bank has implemented the Revised Framework of the International Convergence of Capital Measurement and Capital Standards (or Basel II) in 2008. In terms of RBI guidelines, capital charge for credit and market risk for the financial year ended 31 March, 2011 is required to be maintained at the higher of the prudential floor prescribed by Basel II and 80% of the level under Basel I. In terms of regulatory guidelines on Basel II, the Bank has computed capital charge for operational risk under the Basic Indicator Approach and the capital charge for credit risk has been estimated under the Standardised Approach. As on 31 March, 2011, the Bank's Capital Adequacy Ratio (CAR) under Basel II was 12.65% against 15.80% on 31 March, 2010 and the minimum regulatory requirement of 9%. Of this Tier I Capital Adequacy Ratio was 9.41%, as against 11.18% last year, while the Tier II Capital Adequacy Ratio was 3.24%. The following table sets forth the risk-based capital, risk-weighted assets and capital adequacy ratios computed as on 31 March, 2010 and 2011 in accordance with the applicable RBI guidelines under Basel II.

*(₹ in crores)*

| AS ON 31 MARCH | 2011 | 2010 |
|---|---|---|
| Tier I Capital – Shareholders' Funds | 18,503.49 | 15,789.42 |
| Tier II Capital | 6,366.86 | 6,518.47 |
| Out of which | | |
| - Bonds qualifying as Tier II capital | 4,587.60 | 4,842.70 |
| - Upper Tier II capital | 1,242.80 | 1,248.98 |
| - Other eligible for Tier II capital | 536.46 | 426.79 |
| Total Capital qualifying for computation of Capital Adequacy Ratio | 24,870.35 | 22,307.89 |
| Total Risk-Weighted Assets and Contingencies | 196,562.61 | 141,169.77 |
| Total Capital Adequacy Ratio (CAR) | 12.65% | 15.80% |
| Out of above | | |
| - Tier I Capital | 9.41% | 11.18% |
| - Tier II Capital | 3.24% | 4.62% |

**BUSINESS OVERVIEW**

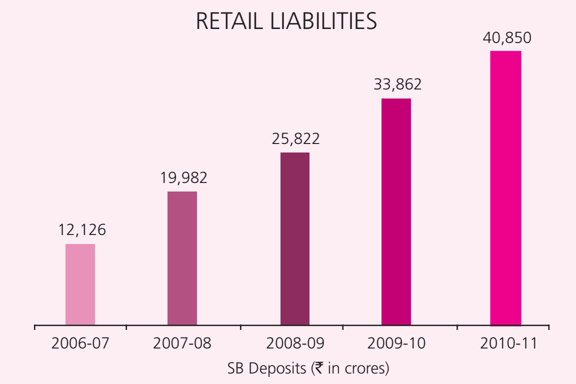
An overview of various business segments along with the performance during 2010-11 and their future strategies is presented below.

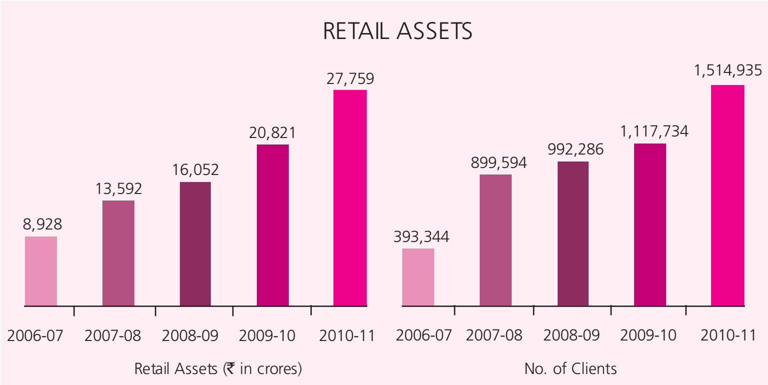
**RETAIL BANKING**

Retail banking is one of the key drivers of the Bank's growth strategy and encompasses a wide range of products that are delivered through multiple channels to customers who are offered a complete suite of products across deposits, loans, investment solutions and cards.

## Retail Deposits

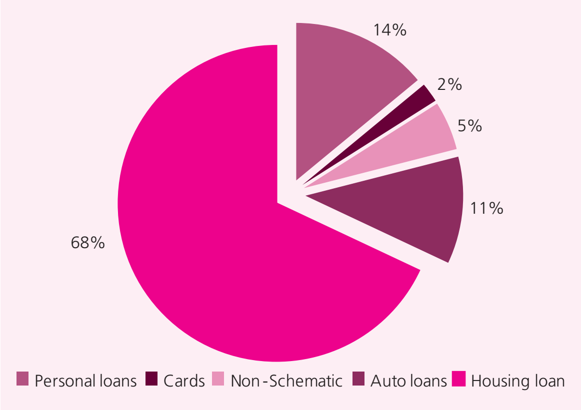
The Bank has focused on increasing its retail deposit base, particularly demand deposits. Within this category, Savings Bank deposits have grown at a Compounded Annual Growth Rate (CAGR) of 38% over the last five years. Savings Bank deposits grew to ₹40,850 crores on 31 March, 2011 from ₹33,862 crores as on 31 March, 2010 registering a growth of 21%. On a daily average basis, Savings Bank deposits grew by 36% to ₹36,072 crores over the preceding year. Retail term deposits (defined as term deposits upto ₹5 crores) grew by 25% from ₹26,848 crores on 31 March, 2010 to ₹33,457 crores on 31 March, 2011.




## Retail Assets

The Retail Assets portfolio of the Bank rose from ₹20,821 crores at the end of FY 2010 to ₹27,759 crores on 31 March, 2011, registering a 33% growth. Retail assets constituted 19% of the Bank's total loan portfolio on 31 March, 2011 and has a large proportion of secured assets in the form of residential mortgages and auto loans. These portfolios comprise 79% of the total retail assets portfolio. During the year, the Bank focused on strengthening its retail risk management capabilities. Credit risk on the retail loans portfolio continued to improve through the year as a result of these initiatives. The gross NPA ratio in retail assets has improved to 1.49% on 31 March, 2011 from 1.86% last year. Over the last two years, unsecured personal loans have witnessed a slowdown across the industry and the Bank has also witnessed a modest growth in this segment. With prospects of an improvement in the risk environment, the Bank is planning to develop a prudent strategy in the coming year to re-enter the market to offer unsecured loans. The focus of the Bank, however, continues to be on the secured loan segment, including housing loans and auto loans.

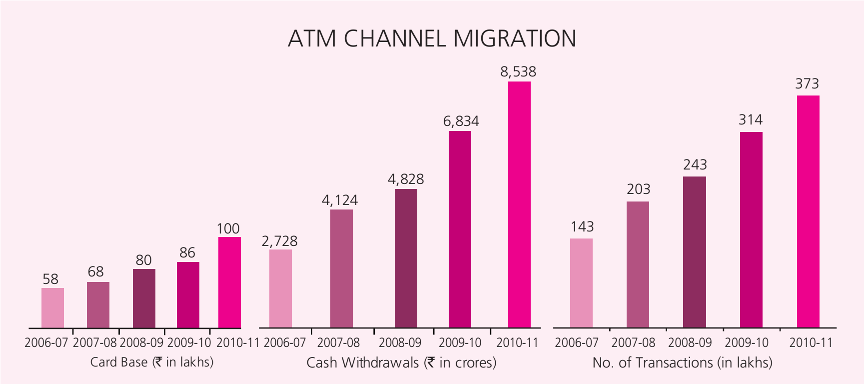



## Investment Products

The distribution of third party products is a well-established business for the Bank, with an emphasis upon mutual funds and Bancassurance. During the year, the Bank tied up with Max New York Life for distribution of life insurance products. A number of new processes like 100% welcome calling and Product Suitability Matrix have been implemented to ensure a high quality sales process for the life insurance business. During the year, the Bank has been adjudged the Best Mutual Fund distributor for the year 2010 (Bank Distributor Category) in the recently concluded Wealth Forum Advisor Awards 2010. Assets under Management (AUM) of the Mutual Fund of the Bank have witnessed a 41% growth over the last year with the customer base for mutual fund products of the Bank growing by 31%. The Bank launched a perpetual SIP campaign titled 'Sleep In Peace' which has resulted in a substantial increase in enrolment of new SIPs during the year. The Bank has entered into an arrangement with Axis Securities and Sales Ltd - ASSL (a 100% subsidiary of the Bank) to provide Axis Direct, an Online Trading platform, to its customers.

Card Products

The cards business of the Bank comprises three product types - prepaid cards (pay before), debit cards (pay now), and credit cards (pay later). The Bank has a dominant market leadership position in prepaid cards. As of 31 March, 2011, the Bank has a prepaid card base of approximately 3.4 million dominated by payroll and gift cards. Foreign currency denominated travel prepaid cards is an extremely popular offering of the Bank. The Bank is a market leader in this business with a sales volume of USD 661 million in 2010-11 and is well positioned to benefit from the growing opportunities for such cards. The Bank has a base of approximately 10 million debit cards as on 31 March, 2011, which places it among the leading players in this business. With increasing merchant spends on debit cards, the Bank plans to continue to invest in product differentiation and feature enhancement of its debit card products for individuals and small businesses in the year ahead. The Bank also offers credit cards, with a portfolio of approximately 6.33 lac credit cards in circulation as of 31 March, 2011. The Bank proposes to build the requisite scale in this business, while containing delinquencies and expenses incurred in operations, by leveraging its existing customer base.




Premium Offerings

The Bank launched the private banking business (named ‘Privee’) in the domestic market in September 2009 to cater to ultra affluent individuals and families by offering them unique investment opportunities. Axis Bank Privee offers its client access to a wide array of end-to-end custom-tailored financial solutions including, but not limited to banking solutions, investment solutions and lending solutions. Axis Bank Privée offers sophisticated investment and advisory services to clients who entrust the Bank with Assets under Management (AUM) of more than ₹2 crores. Privée is presently offered in seven cities in India and follows a team-based approach for managing client relationships. A dedicated Private Banker is central to an Axis Bank Privée relationship, and he/she is supported by a team of product specialists, investment consultants and research experts.

The Bank launched Axis Bank Wealth in 2008-09 targeting customer with a total relationship value of between ₹30 lac and ₹200 lacs. The value proposition aims at delivering a ‘one Bank’ experience to clients and is positioned as a holistic solution to clients across their banking, investment and asset requirements. The proposition is delivered to clients through wealth managers and service relationship managers at various branches.

Alternate Channels

In 2010-11, the Bank added 1,977 ATMs to reach 6,270 ATMs as of 31 March, 2011 against 4,293 ATMs as of 31 March, 2010. The Bank has emerged as a pioneer in transaction-based pricing model in total ATM outsourcing which envisages no capital expenditure for the Bank. Under this model, payment is on a purely pay-per-use model for the Bank’s customer transactions and a revenue sharing with the service provider (called as Independent ATM Deployer (IAD)) for other bank transactions. Alongwith the ATM network, other channels such as internet banking, mobile banking and phone banking, have grown well and a strong architecture of alternate channels has been created, providing higher levels of convenience and service quality to customers. During the year, the Bank launched several innovative products to enhance the usage of self-service channels such as full-service mobile banking, mobile refills through internet and mobile phone, mobile-based funds transfer through IMPS (a service initiated by NPCI), funds transfer through IMT (where the beneficiary can withdraw funds through an ATM without the use of a card), Bunch Note Acceptor (BNA) machines for instant credit in case of cash deposit and Virtual Cards which allow customers to create a one-time usage electronic virtual card by debiting their accounts. All these measures will enhance customer convenience and servicing quality.

## CORPORATE BANKING

The Corporate Banking franchise offers a wide spectrum of products to corporate customers, including credit, trade finance, structured finance and syndication services for debt and equity. New customer acquisition and relationship-deepening is a two-pronged strategy for enabling growth. A Relationship Management Group has been formed to service all client relationships within the large corporate and infrastructure segments.

A prerequisite for global competitiveness and economic growth is the creation of a sound infrastructure base in the economy. Recognising this, the 12th Five Year Plan (2012-17) envisages an enhancement of the plan-size for infrastructure development to USD one trillion, twice that of the 11th Five Year Plan allocation of approximately USD 500 billion. In order to leverage the growth opportunities offered, a separate Infrastructure Business Group was created within the Corporate Banking segment.

Meanwhile, the Bank has continued to retain its leadership position in project finance and corporate finance debt market and syndicated an aggregate amount of ₹57,049 crores by way of Rupee and Foreign currency loans during the year.

## CORPORATE CREDIT

During the year, corporate credit including lending to large and mid-corporates and to Infrastructure, grew by 45% to ₹75,922 crores from ₹52,504 crores last year. This includes advances at overseas branches amounting to ₹19,354 crores (equivalent to USD 4.34 billion) mainly comprising loans to Indian corporates and their subsidiaries. The advances at overseas branches accounted for 14% of the Bank's total advances.

The relationship model introduced during the year has worked well, enabling the Bank to attract a larger and more diverse customer base. The Bank also focused on cross-selling of various products and services in increasing the customer's engagement with it. Emphasis was also given on fee based business, foreign exchange borrowings of customers and loan syndication.

The Bank's sectoral approach to credit achieved greater efficiency during the year due to increased focus on identifying sector-specific opportunities and risks. Portfolio composition is continuously monitored by tracking industry, group and company specific exposure limits. The largest exposure to any sector was 10.83% of the Bank's total lending (17.50% last year). Internal and external rating of the credit facilities of the customers is undertaken and monitored on ongoing basis. 56.13% of the Bank's large corporate portfolio is externally rated. The entire portfolio is internally rated with 74.70% rated A and above.

The mid-corporate group continues to be an important business segment of the Bank with an asset book of ₹15,826 crores as on 31 March, 2011, registering a growth of 38% over last year. This includes advances at overseas branches of ₹2,199 crores (equivalent of USD 493 million) extended mainly to Indian corporates. The focus continues on growth across geographies without compromising on quality of assets. During the year, the segment continued to focus on deepening of relationship through cross-selling of products and services, both in corporate and retail banking space.

## TREASURY

The Bank has an integrated Treasury, which covers both domestic and global markets and funds the balance sheet across locations. The Bank's treasury business has grown substantially over the years, gaining market share and is presently among the top five banks in India in terms of forex revenues. The Bank has established a presence in emerging businesses such as card-based forex solutions, bullion trading and currency derivatives and was also among the front runners in tapping the overseas debt capital markets for foreign currency funds. The Bank distributes its forex and other treasury products through 195 'B' category branches spread across India, one of the widest distribution networks for treasury products among Indian banks. In addition to Mumbai, the Bank also has dealing rooms in Singapore and Hong Kong.

### Debt Capital Market and Equity Trading

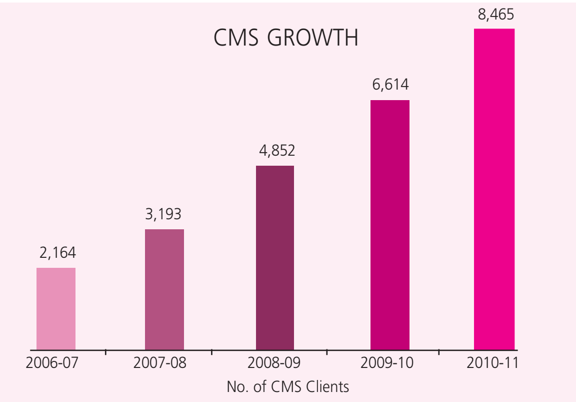
The Bank successfully maintained its leadership in the debt capital markets business and successfully syndicated debt of around ₹83,025 crores through private placement of bonds and debentures in Rupees. The Bank was recognised as Best Domestic Bond House in India (2010) by Asset Triple A Country Awards, Best Bond House in India (2010) by Finance Asia, Best Debt House in India (2010) by Euro Money and Best Domestic Debt House in India (2010) by Asia Money. During the calendar year 2010, the Bank topped the Bloomberg debt league tables as also the Prime Database league tables for the period April 2010 to December 2010.

## BUSINESS BANKING

Business Banking focuses on offering transactional banking services by leveraging the Bank's network and technology. The Bank continued to focus on procuring low-cost funds by offering a range of current account products and cash management solutions to meet the needs of all business segments including companies, institutions, central and state government ministries and undertakings, as well as small and retail business customers. Cross-selling of transactional banking products to develop account relationships, aided by product innovation and a customer-centric approach, have borne fruit in the form of growing current account balances and realisation of transaction banking fees.

As of 31 March, 2011, balances in current account increased by 15% and stood at ₹36,917 crores compared to ₹32,168 crores last year. On a daily average basis, however, current account deposits grew by 28% to ₹23,479 crores from ₹18,322 crores last year. In line with the Bank's strategy of providing complete financial solutions, there was a greater focus on acquisition of high-value current accounts, thus maintaining the pace of growth in current account balances.

The Bank's Cash Management Services (CMS) caters to specific corporate requirements and offers customised solutions to clients. The combination of speedy fund transfers and structured MIS enables customers to optimise their fund-management capabilities. During the year, host-to-host integration was offered to large corporate customers for collections and payments, a feature that has brought both ease of operations and reduced costs to clients. With a shift in the Bank's business approach to a customer-centric model through the creation of a Corporate Accounts Group within Business Banking, cash management, transactional banking and other service requirements of the large and mid-sized corporates as well as financial institutions are being fulfilled in a proactive manner. This has enabled the Bank to become one of the top cash management solution providers in the country.




The Bank acts as an agency for handling the government business of various central government ministries, departments, state governments and union territories. The Bank presently accepts income and other direct taxes through 214 authorised branches at 137 locations and central excise and service taxes through 56 authorised branches at 13 locations. The Bank also handles the disbursement of civil pension through 218 authorised branches and defence pension through 151 authorised branches. The Bank also provides collection and payment services to four central government ministries and eight state governments and union territories.

The Bank has also strengthened its association with the e-governance initiatives of various state governments and during the year received approval from the Punjab Government, appointing it as the nodal bank for its 'e-Procurement Project'. The Bank is associated with 9 state governments and other government organisations in various other initiatives including the Electronic Benefit Transfer (EBT) Projects for disbursing government benefits [wages under MGNREGS and Social Security Pension (SSP)] through direct credit to beneficiaries' bank accounts under the smart card based IT enabled financial inclusion model. The total business carried out by the Bank on behalf of the government in 2010-11 was ₹85,423 crores against ₹71,039 crores last year.

The Bank is a SEBI registered custodian and offers custodial services to both domestic and offshore customers. It is also a non-trading clearing member with BSE and NSE and has established connectivity with clearing corporations of the respective exchanges. The Bank launched its foray into the merchant acquiring business in December 2003 and in the last seven years has emerged as one of the largest acquirers in the country with an installed base of approximately 1.87 lac point-of-sale terminals.

## INVESTMENT BANKING

The Bank's Investment Banking business comprises equity capital markets (ECM) business, mergers and acquisitions and private equity syndication. The Bank is a SEBI-registered Category I Merchant Banker and has been fairly active in advising Indian companies in raising equity through IPOs, QIPs and Rights issues. The Bank has built strong relationships with Indian companies, becoming an effective bridge between such corporates and, domestic and international institutional investors.

During the year, the Bank advised over 12 companies in raising ₹7,625 crores from international and domestic equity investors. M&A advisory services focus upon domestic and cross-border buy and sell mandates for Indian clients. The Private Equity business works with the Bank's mid-corporate and SME clients and advises them in raising capital from private equity investors. In order to fill the gap in its equity capital markets and institutional broking capabilities, the Bank has proposed the acquisition of the investment banking franchise from Enam in its group. The proposed acquisition of these businesses is subject to regulatory approvals.

**LENDING TO MICRO, SMALL AND MEDIUM ENTERPRISES, AGRICULTURE AND MICRO FINANCE**

Lending to Small and Medium Enterprises (SMEs) including Micro, Small and Medium Enterprise (MSMEs) segment has been identified as a thrust area for the Bank. The business approach towards this segment, which is expected to contribute significantly to economic growth in future, is based upon building relationships and nurturing the entrepreneurial talent available. The Bank extends working capital, project finance as well as trade finance facilities to SMEs. The relationship-based approach enables the Bank to deliver value through the entire life cycle of SMEs, creating enormous goodwill and stickiness. It also provides numerous cross-sell opportunities and helps the Bank fulfill its priority sector obligations. The Bank has set up 26 dedicated SME Centres across the country to service this segment effectively.

The Bank continued to drive growth in the agriculture sector through its agriculture and rural banking initiatives. During the year, a dedicated Agriculture and Rural Banking Strategic Business Unit (SBU) has been formed to lend greater focus to this segment. The Bank has adopted an integrated approach covering all participants in the value chain. The Bank's retail agriculture business is targeted at farmers across various geographies in the country through a network of agriculture intensive branches which are serviced through 69 agriculture clusters. The Bank also extends commodity finance against pledge of warehouse receipts of agro commodities.

The Bank has a team of specialist agriculture officers placed at branches and agriculture clusters to ensure effective delivery of a wide-range of products to agriculture borrowers at their doorstep. During the year, agriculture advances grew by 36% to ₹17,320 crores, constituting 14% of the Bank's domestic advances.

In order to implement its rural banking strategy, the Bank has set up a dedicated Rural Banking and Financial Inclusion team. It is also increasing its presence in the hinterland, particularly in under-banked states and districts through a branch network that offers banking products customised for the rural population. The Bank seeks to cover a larger catchment area around such rural branches as part of its financial inclusion initiative through a host of business correspondents. Among other activities, the business correspondents execute mandates for EBT received from state governments for NREGA, mandates received through SLBC and district administration, and remittances.

**INTERNATIONAL BANKING**

The International operations of the Bank have generally been based upon catering to Indian corporates who have expanded their businesses overseas. The overseas network of the Bank currently spans the major financial hubs in Asia, with branches at Singapore, Hong Kong and DIFC – Dubai, and Representative Offices at Shanghai, Dubai and Abu Dhabi. In addition, there are strategic alliances with banks and exchange houses in the Gulf Co-operation Council (GCC) countries. While foreign branches primarily offer corporate banking, trade finance, treasury and risk management solutions, the Bank's GCC initiatives in the form of Representative Offices and alliances cater to the large Indian diaspora and promote the Bank's NRI products. In a year in which major global economies showed signs of stabilisation following the financial crisis, the International operations of the Bank have reported a significant growth with overseas assets growing from USD 3.10 billion as of 31 March, 2010 to USD 4.99 billion as of 31 March, 2011.

During the year, a new subsidiary namely Axis U.K. Limited was incorporated as a private limited company with the main purpose of filing an application with Financial Services Authority (FSA), UK for a banking licence in the UK.

**RISK MANAGEMENT**

The objective of risk management is to balance the trade-off between risk and return and ensure optimum risk adjusted return on capital. It entails the identification, measurement and management of risks across the various businesses of the Bank. Risk is managed through a framework of policies and principles approved by the Board of Directors and supported by an independent risk function that ensures that the Bank operates within its risk appetite. The risk management function attempts to anticipate vulnerabilities at the transaction level or at the portfolio level, as appropriate, through quantitative or qualitative examination of the embedded risks. The Bank continues to focus on refining and improving its risk measurement systems. In addition to ensuring compliance with regulatory requirements, the Bank has developed robust internal systems for assessing capital requirements keeping in view the business objectives.

The Bank's risk management processes are guided by well-defined policies appropriate for the various risk categories viz. credit risk, market risk, operational risk and liquidity risk supplemented by periodic validations of the methods used and monitoring through the sub-committees of the Board. The Board sets the overall risk appetite and philosophy for the Bank. The Risk Management Committee (RMC), which is a sub-committee of the Board, reviews various aspects of risk arising from the businesses undertaken by the Bank. The Committee of Directors and the Audit Committee of the Board supervises certain functions and operations of the Bank, which ultimately enhances the risk and control governance framework within the Bank. Various senior management credit and investment committees, Credit Risk Management Committee (CRMC), Asset-Liability Committee (ALCO), and Operational Risk Management Committee (ORMC) operate within the broad policy framework of the Bank.

**Credit Risk**

Credit risk is the risk of financial loss if a client, issuer of securities that the Bank holds or any other counterparty fails to meet its contractual obligations. Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor. The goal of the credit risk management is to maximize the Bank's risk-adjusted rate of return on capital by maintaining a healthy credit portfolio and managing the credit risk inherent in individual exposures as well at the portfolio level. Emphasis is placed, both, on evaluation and containment of risk at the individual exposures and analysis of the portfolio behaviour. The Bank has structured and standardised credit approval processes, which include a well-established procedure of comprehensive credit appraisal. Every extension of credit or material change to a credit facility to any counterparty requires credit approval at the appropriate authority level. Internal risk rating remains the foundation of the credit assessment process which provides integrity, standardisation and objectivity to the process. The sanctioning process is linked to the rating of the borrower and the level of exposure. The monitoring frequency applicable to the exposure also depends on the rating of the exposure. Sector specific caps are laid down in the Credit Policy to avoid concentration risk. For retail portfolio the Bank uses different product specific scorecards. Both credit and market risk expertise are combined to manage risk arising out of traded credit products such as bonds and market related off-balance sheet transactions.

The Bank continuously monitors portfolio concentrations by segment, borrower, groups, industry and geography, where applicable. Portfolio level delinquency matrices are tracked at frequent intervals with focus on detection of early warning signals of stress.

Key sectors are analysed in detail to suggest strategies for business, considering both risks and opportunities. The Risk Management Committee of the Board periodically reviews the impact of the stress scenarios resulting from the rating downgrades, or drop in the asset values in case of secured exposures, on the portfolio. The portfolio level risk analytics provide insight into the capital allocation required to absorb unexpected losses at a defined confidence level.

**Market Risk**

The market risk management framework of the Bank aims at maximising the risk adjusted rate of return by providing inputs regarding the extent of market risk exposures, the performance of portfolios vis-à-vis the risk exposure and comparable benchmarks. Market Risk is the risk of losses in 'on and off-balance sheet' positions arising from the movements in market prices as well as the volatilities of those changes, which may impact the Bank's earnings and capital. The risks may pertain to interest rate related instruments (interest rate risk), equities (equity price risk) and foreign exchange rate risk (Currency risk). Market Risk for the Bank emanates from its trading and investment activities, which are undertaken both for customers and on a proprietary basis. The Bank adopts a comprehensive approach to market risk management for its banking book as well as trading book. The market risk management of the trading, investment and asset/liability portfolios of the Bank includes laid down policies, guidelines, processes and systems for the identification, measurement, monitoring of limits set in accordance with risk appetite of the Bank and reporting of various market risks in the banking and trading book. The Bank uses both statistical measures and non-statistical measures for the market risk management. The statistical measures include Value at Risk (VaR), stress tests, back tests and scenario analysis while position limits, marked-to-market (MTM), gaps and sensitivities (duration, PVBP, option greeks) are used as non-statistical measures of market risk management.

The Bank uses historical simulation and its variants for computing VaR for its trading portfolio. VaR of a portfolio is defined as the potential loss value such that, given a confidence level (probability), the cumulative mark-to-market loss on the portfolio over a given time horizon does not exceed acceptable level (assuming normal market conditions and no trading in the portfolio). VaR is calculated at a 99% confidence level for a one-day holding period. The VaR models for different portfolios are back-tested on an ongoing basis and the results are used to maintain and improve the efficacy of the model. The Bank supplements the VaR measure with a series of stress tests and sensitivity analysis as per a well laid out stress testing framework.

**Liquidity Risk**

Liquidity is the ability of a bank to fund increases in assets and meet obligations as they become due, without incurring unacceptable losses. Liquidity risk is the current and prospective risk to earnings or capital arising from a bank's inability to meet its current or future obligations on the due date. Liquidity risk is two-dimensional: risk of being unable to fund portfolio of assets at appropriate maturity and rates (liability dimension) and the risk of being unable to liquidate assets in a timely manner at a reasonable price (asset dimension). The Bank's ALM policy lays down a broad framework for liquidity risk management to ensure that the Bank is in a position to meet its daily liquidity obligations as well as withstand a period of liquidity stress, the source of which could be bank-wide or market wide.

The liquidity profile of the Bank is analysed on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios and conduct of liquidity stress tests periodically. The liquidity position is managed on a global basis including positions at the overseas branches. The Bank has laid down liquidity risk policies for its overseas branches in line with host country regulations and the ALM framework as stipulated for domestic operations. Periodical liquidity reviews and liquidity stress results of overseas branches are reviewed by the Bank's ALCO along with domestic positions.

**Operational Risk**

The Bank has put in place an operational risk management (ORM) policy to manage operational risk in an effective, efficient and proactive manner. The primary objective of the operational risk management policy is to identify the operational risks that the Bank is exposed to from inadequate and /or missing controls emanating from internal processes, people, systems or from external events or a combination of all the four, assess or measure the magnitude, monitor them and control or mitigate them by using a variety of processes. In addition to the ORM policy, operational risk management framework, loss data collection methodology, risk and control self assessment framework, key risk indicators framework as well as role and responsibilities of operational risk management function are approved by the Risk Management Committee (RMC). The Bank has an Operational Risk Management Committee (ORMC), which oversees the implementation of the aforesaid framework/policies. Within the ORM framework, new products, processes and services introduced by the Bank are subject to rigorous risk evaluation and approval accorded by the Product Management Committee where all relevant risks are identified and assessed by the departments independent of the risk-taking unit (product/process/service owner). Similarly, changes proposed in the existing product/processes/services are also subject to review by the Change Management Committee. Outsourcing arrangements are examined and approved by the Outsourcing Committee. The IT Security Committee of the Bank provides directions for mitigating the operational risk in the information systems. The Bank has also created a focussed group for off-site surveillance and monitoring of transactions to detect and mitigate frauds on a proactive basis.

**OPERATIONS**

The business model of the Bank has separated production and distribution functions within the Bank, with transaction processing and customer databases becoming increasingly centralised and product sales and customer service being the primary function of branches. The separation of functions has helped in reducing transaction costs, in addition to ensuring streamlined operations. Operational processes for delivery of products and services were constantly refined during the year, from the perspective of implementation of best practices, risk identification and containment. Operational instructions were issued on a continual basis and efforts were made to introduce risk-free working at branches.

**Retail Banking Operations**

The oversight function in the Bank has been strengthened through centralised monitoring of the working of the branches in respect of KYC, AML, other regulatory compliances, cash management, clearing operations and internal housekeeping resulting in superior compliance and higher operational efficiencies. Control functions were reinforced through operational guidelines issued to branches and close supervision by 26 Circle Retail Banking Operations Officers. High-end note sorting machines have been provided to 286 cash intensive branches and 13 Cash Point Counters (CPCs) had been set up in 8 major cities to ensure enhanced customer service and better handling of cash. Two new Currency Chests were operationalised at Hubli and Vijayawada. Clearing activities in Mumbai and Kolkata have been automated by adopting image-based processing of clearing instruments thereby improving efficiency of clearing operations at these high-volume centres.

**Wholesale Banking Operations**

Wholesale Banking Operations (WBO) is responsible for providing best in class services to non-retail customers of the Bank through the deployment of skilled manpower and appropriate technology. The WBO group comprises four verticals - Corporate Banking Operations, Trade and Forex Operations, Treasury Operations and Centralised Collections and Payments Hub.

Corporate Banking Operations (CBO) involves delivery, control, monitoring and administration of credit facilities of large and mid-corporates and SME customers. It also processes domestic trade finance and channel finance transactions. CBO operates through Credit Management Centres (CMC) located at 8 major cities, while credit operations at Tier II cities are administered through 50 Mini-Credit Management Centres. At Tier III cities, corporate credit services including domestic trade finance operations are provided through dedicated officials at credit intensive centres. With a view to offer enhanced customer services and build direct interface with the customers, three Corporate Banking Branches (CBBs) have been opened in Chennai, Kolkata and Mumbai. The forex operations team at branches is managed by the Trade Finance Centre, ensuring better customer services as well as meticulous compliance of regulatory and internal control guidelines.

## INFORMATION TECHNOLOGY

The Bank aims to maintain a scalable computing infrastructure that delivers efficient and seamless services across multiple channels for customer convenience. In order to retain its competitive edge, the Bank's technology infrastructure is continuously upgraded in alignment with business requirements. During the year, the Bank transitioned to a higher version of the Core Banking System (CBS), which has been designed upon a Service Oriented Architecture. The upgraded version of the CBS is capable of handling significantly higher number of concurrent users and transaction volumes and can integrate with other surround systems and channels. It has the capability to provide round-the-clock banking. This version also provides a unique CRM feature, and new product capabilities in areas of loans, liquidity management and workflow. The IT initiatives of the Bank have enabled the sustained growth of banking transactions across various channels such as Internet, ATM and Mobile Banking. During the year, the Bank has launched its retail Internet Banking portal which has been designed keeping in view better usability and superior look and feel. The Bank has also implemented a custom-built CRM software solution to handle both customer interaction and complaints through various customer touch points like Phone Banking Centre, e-mail and branches.

## COMPLIANCE

The compliance function of the Bank is responsible for independently ensuring that operating and business units comply with regulatory and internal guidelines. The Compliance Department of the Bank continued to play a pivotal role in ensuring implementation of compliance functions in accordance with the directives issued by the regulators, the Bank's Board of Directors and the Bank's compliance policy. The Audit Committee of the Board reviews the performance of the Compliance Department and the status of compliance with regulatory/internal guidelines on a periodic basis.

New Instructions/guidelines issued by the regulatory authorities were disseminated across the Bank to ensure that the business and functional units operate within the boundaries set by regulators and that compliance risks are suitably monitored and mitigated in course of their activities and processes. New products and processes launched during the year were subjected to scrutiny from the compliance standpoint and proposals for outsourcing of financial services were screened from risk control perspective.

Monitoring and identification of suspicious transaction patterns played an important role across the franchise with an objective to check any attempt for money laundering activities. Timely steps were undertaken to meet the emerging challenges in the area of identification of unusual transaction patterns and to report to the Financial Intelligence Unit – India. Customer confidentiality and proper record maintenance as mandated under Prevention of Money Laundering Act, 2002, attracted due importance in all facets of operations. With the aid of the alert system, branches were trained to play a key role in checking abnormal transactions and to avoid any compliance implications. A strong vigilance function, a well-propagated whistleblower policy and zero tolerance policy for fraud, corruption and financial irregularities were the other significant aspects of the Bank's compliance culture.

## INTERNAL AUDIT

The Bank's internal audit function performs an independent and objective evaluation of the adequacy and effectiveness of internal controls by undertaking a comprehensive risk based audit of branches, Retail Asset Centres (RAC), Service Branches and Credit Management Centres/Mini Credit Management Centres (CMC/MCMC). This ensures that the operating and business units adhere to systems and procedures as also regulatory and legal requirements. The effort is to continuously benchmark against international best practices and procedures in the area of internal control systems. The internal audit is also proactive in recommending quality enhancement measures in operational processes based on audit findings. It also undertakes internal-cum-management audit of the Bank's Corporate Office (CO) departments. During the year, Information System (IS) audits were conducted in respect of 169 applications, the Bank's Data Centre and Business Continuity Centre. The Internal Audit Department functions independently and its activities are overseen by the Audit Committee of the Board, which evaluates its performance and reviews effectiveness of the operational and regulatory controls laid down by the Bank and RBI.

During the year, 810 branches, 58 RACs, 10 Service Branches, 60 CMC/MCMCs, 3 overseas branches, 41 CO departments and back offices were subjected to internal audit. Another 47 branches, 37 CMC/MCMCs, 6 RACs, 8 Credit Decisioning Units (covering 17 RACs) and 11 CO departments have been placed under concurrent audit.

During the year, Internal Audit Department has taken a few significant initiatives like the Improvised Control Self Assessment (Self Audit) model aimed at introducing branches to an improved compliance culture and engaging the services of outside consultants of international repute for review of audit policy, audit methodology and staffing in order to align the functioning of internal audit with International Standards. During the year, Certificate under ISO 9001-2008 Standards was successfully renewed for three more years.

## CORPORATE SOCIAL RESPONSIBILITY

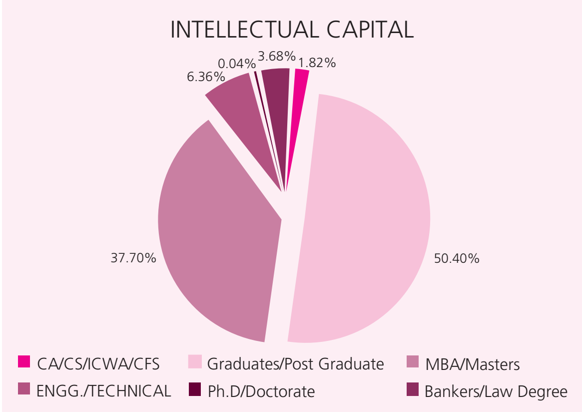
The Bank has set-up a Trust – the Axis Bank Foundation in 2006 to give a strategic focus to its Corporate Social Responsibility (CSR) initiatives. The Bank has decided to contribute upto one percent of its net profit annually to the Foundation under its CSR initiatives. The Foundation is presently partnering with 44 NGOs in the fields of education, highway trauma care, medical relief and the creation of livelihoods and has been able to reach over 58,000 individuals, mainly underprivileged children, in the field of education and around 2,500 accident victims. The Foundation has so far extended grants aggregating ₹24.47 crores relating to the various initiatives. In the next five years, it is proposed to focus primarily on providing sustainable livelihoods. The goal of the Foundation is to provide one million sustainable livelihoods in the next five years. The Foundation would continue to support projects in the field of education having significant social impact, especially benefiting physical and mentally challenged children and ensure a budget allocation of 15% of annual disbursement for such projects.

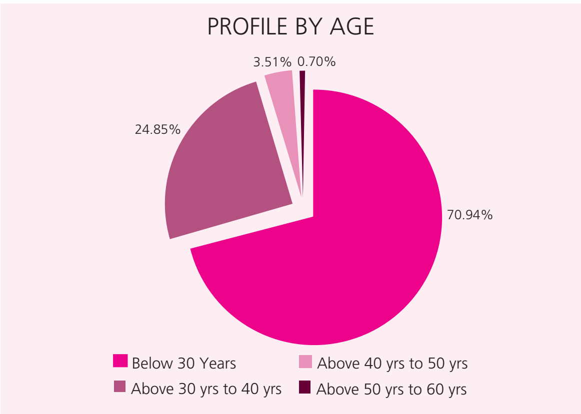
During 2010-11, the Foundation has approved new grants aggregating ₹133.46 crores, which will be distributed in periodic installments over the next five years. The Foundation will work with the poorest of the poor in the villages of two districts of West Bengal, with small and marginal farmers in four districts of Tamil Nadu, with tribals and Dalits in four districts of Orissa and school dropouts in the Vidarbha and Marathwada regions of Maharashtra. The Foundation aims at bringing about a significant increase in the income of the beneficiaries through its intervention. Further, the beneficiaries would be given inputs on education, health care, sanitation, financial literacy etc. The Foundation is in talks with NGOs, development agencies and funding partners to identify new opportunities, especially in the poorest districts of the country that would help in achieving its goal of providing one million sustainable livelihoods in the next five years.

## HUMAN RESOURCES

The Bank recognises that its success is deeply embedded in the success of its human capital. During 2010-11, the Bank continued to strengthen its HR processes in line with its objective of creating an inspired workforce. The employee engagement initiatives included placing greater emphasis on learning and development, launching leadership development programmes, introducing internal communication, providing opportunities to staff to seek aspirational roles through internal job postings and periodic job rotations, streamlining the Performance Management System, making the compensation structure more competitive and streamlining the performance-linked rewards and incentives.

The Bank believes that learning is an ongoing process. Towards this end, the Bank has built a training infrastructure which seeks to upgrade skill levels across grades and functions through a combination of in-house and external programmes. The flagship in-house programmes include the Induction Programme 'Swagat' for new entrants and credit and foreign exchange programmes for building a pool of specialists in the respective domains. External programmes for team-building, leadership, organisational development, management development programmes and people management programmes have been organised in partnership with reputed banking and management institutions for middle management personnel. During the year, the total training man-days have increased from 65,378 last year to 77,983. The Bank also holds leadership summits in association with best in class leadership trainers in the country to nurture its existing and potential leaders. To promote a culture of leadership development and to build a pipeline of potential leaders within the Bank, many leadership development processes have been introduced. Axis Leadership Practices were defined for employees at different levels of the hierarchy to promote desired behaviour and to facilitate an objective assessment. A leadership review for the year has been launched, as a part of which a pool of key talent will be identified across functions.




The Bank believes that a transparent organisation structure ensures efficient communication and also promotes a performance-driven work culture. To keep employees abreast of various developments, it was important to provide avenues for knowledge sharing. Axis World, the Bank's in-house magazine was launched in the month of November 2010, with an objective to create a platform for both top-down and bottom-up communication. The Bank also launched iAxis, an intranet portal created to offer a one-click destination to employees for easy access of HR related information, policies and internal job opportunities.

In order to bring about greater alignment between corporate objectives and individual growth, the Bank's Performance Management System, has been streamlined this year. The changes have helped to increase the ownership of appraiser and the reviewer in the performance management process.

The Bank has emerged as a strong employer brand in the financial services sector, especially on the campuses of the premier business schools of the country. Axis Ahead, the Bank's Management Trainee Programme focuses on grooming business leaders of tommorrow through a rigorous 11 month cross-departmental and branch exposure training.

The strength of the workforce at the year-end was 26,435 as compared to 21,640 at the end of the previous year.

# AUDITORS' REPORT

**TO THE MEMBERS OF**
**AXIS BANK LIMITED**

1. We have audited the attached Balance Sheet of **AXIS BANK LIMITED** ("the Bank") as at 31 March, 2011, the Profit and Loss Account and the Cash Flow Statement of the Bank for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.
3. The Balance Sheet and the Profit and Loss Account are drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956.
4. Without qualifying our report, we invite attention to Note 1 of Schedule 18 regarding the Scheme of Arrangement for the demerger of Enam Securities Private Ltd. with the Bank's subsidiary. For the reasons stated therein, no effect to the proposed Scheme has been given in the accounts.
5. We further report as follows :
   (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
   (b) in our opinion, the transactions of the Bank which have come to our notice have been within its powers;
   (c) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
   (d) the financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by the Branches;
   (e) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (f) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, insofar as they apply to banks;
   (g) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required for banking companies and the Guidelines issued by the Reserve Bank of India from time to time and give a true and fair view in conformity with the accounting principles generally accepted in India :
      (i) in the case of the Balance Sheet, of the state of the affairs of the Bank as at 31 March, 2011;
      (ii) in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date and
      (iii) in the case of Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.
6. On the basis of the written representations received from the Directors as on 31 March, 2011 taken on record by the Board of Directors, we report that none of the Directors is disqualified from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No: 117365W)

**Nalin M. Shah**
Partner
(Membership No. 15860)

Place : Mumbai
Date : 22nd April, 2011

# AXIS BANK LIMITED - BALANCE SHEET

**BALANCE SHEET AS AT 31 MARCH, 2011**

| | Schedule No. | **As at 31-03-2011 (₹ in Thousands)** | As at 31-03-2010 (₹ in Thousands) |
|---|---|---|---|
| **CAPITAL AND LIABILITIES** | | | |
| Capital | 1 | **4,105,458** | 4,051,741 |
| Reserves & Surplus | 2 | **185,882,797** | 156,392,749 |
| Employees' Stock Options Outstanding (Net) | 17 (5.15) | **-** | 1,734 |
| Deposits | 3 | **1,892,378,010** | 1,413,002,175 |
| Borrowings | 4 | **262,678,824** | 171,695,512 |
| Other Liabilities and Provisions | 5 | **82,088,627** | 61,334,608 |
| **TOTAL** | | **2,427,133,716** | 1,806,478,519 |
| **ASSETS** | | | |
| Cash and Balances with Reserve Bank of India | 6 | **138,861,630** | 94,820,456 |
| Balances with Banks and Money at Call and Short Notice | 7 | **75,224,929** | 57,218,631 |
| Investments | 8 | **719,916,208** | 559,748,156 |
| Advances | 9 | **1,424,078,286** | 1,043,409,464 |
| Fixed Assets | 10 | **22,731,456** | 12,224,199 |
| Other Assets | 11 | **46,321,207** | 39,057,613 |
| **TOTAL** | | **2,427,133,716** | 1,806,478,519 |
| Contingent liabilities | 12 | **4,539,973,284** | 3,182,812,023 |
| Bills for collection | | **324,731,072** | 192,928,684 |
| Significant Accounting Policies and Notes to Accounts | 17 & 18 | | |
| Schedules referred to above form an integral part of the Balance Sheet | | | |

**In terms of our report attached.**

**For Deloitte Haskins & Sells**
Chartered Accountants

**Nalin M. Shah**
Partner

**P. J. Oza**
Company Secretary

Date : 22 April, 2011
Place: Mumbai

**R. H. Patil**
Director

**Sushil Kumar Roongta**
Director

**Somnath Sengupta**
Executive Director & CFO

**R. B. L. Vaish**
Director

**S. B. Mathur**
Director

**For Axis Bank Ltd.**

**Adarsh Kishore**
Chairman

**Shikha Sharma**
Managing Director & CEO

**S. K. Chakrabarti**
Deputy Managing Director

# AXIS BANK LIMITED - PROFIT & LOSS ACCOUNT

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2011**

| | | Schedule No. | **Year ended 31-03-2011 (₹ in Thousands)** | Year ended 31-03-2010 (₹ in Thousands) |
|---|---|---|---|---|
| **I** | **INCOME** | | | |
| | Interest earned | 13 | **151,548,058** | 116,380,215 |
| | Other income | 14 | **46,321,338** | 39,457,819 |
| | **TOTAL** | | **197,869,396** | 155,838,034 |
| **II** | **EXPENDITURE** | | | |
| | Interest expended | 15 | **85,918,230** | 66,335,261 |
| | Operating expenses | 16 | **47,794,281** | 37,097,223 |
| | Provisions and contingencies | 18 (2.1.1) | **30,271,979** | 27,260,217 |
| | **TOTAL** | | **163,984,490** | 130,692,701 |
| **III** | **NET PROFIT FOR THE YEAR (I - II)** | | **33,884,906** | 25,145,333 |
| | Balance in Profit & Loss Account brought forward from previous year | | **34,274,337** | 23,480,865 |
| **IV** | **AMOUNT AVAILABLE FOR APPROPRIATION** | | **68,159,243** | 48,626,198 |
| **V** | **APPROPRIATIONS :** | | | |
| | Transfer to Statutory Reserve | | **8,471,227** | 6,286,333 |
| | Transfer to/(from) Investment Reserve | | **(149,372)** | 148,750 |
| | Transfer to Capital Reserve | 18 (2.2.1) | **47,630** | 2,239,176 |
| | Transfer to General Reserve | | **3,388,491** | 3,109 |
| | Proposed dividend (includes tax on dividend) | 18 (2.2.4) | **6,703,560** | 5,674,493 |
| | Balance in Profit & Loss Account carried forward | | **49,697,707** | 34,274,337 |
| | **TOTAL** | | **68,159,243** | 48,626,198 |
| **VI** | **EARNINGS PER EQUITY SHARE** | 18 (2.2.2) | | |
| | (Face value ₹10/- per share) (Rupees) | | | |
| | Basic | | **82.95** | 65.78 |
| | Diluted | | **81.61** | 64.31 |
| | Significant Accounting Policies and Notes to Accounts | 17 & 18 | | |
| | Schedules referred to above form an integral part of the Profit and Loss Account | | | |

**In terms of our report attached.**

**For Deloitte Haskins & Sells**
Chartered Accountants

**Nalin M. Shah**
Partner

**For Axis Bank Ltd.**

**Adarsh Kishore**
Chairman

**R. H. Patil**
Director

**R. B. L. Vaish**
Director

**Shikha Sharma**
Managing Director & CEO

**Sushil Kumar Roongta**
Director

**S. B. Mathur**
Director

**S. K. Chakrabarti**
Deputy Managing Director

**P. J. Oza**
Company Secretary

**Somnath Sengupta**
Executive Director & CFO

Date : 22 April, 2011
Place: Mumbai

# AXIS BANK LIMITED - CASH FLOW STATEMENT

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2011**

| | **Year ended 31-03-2011 (₹ in Thousands)** | Year ended 31-03-2010 (₹ in Thousands) |
|---|---|---|
| **Cash flow from operating activities** | | |
| **Net profit before taxes** | **51,356,592** | 38,513,633 |
| **Adjustments for:** | | |
| Depreciation on fixed assets | **2,895,872** | 2,343,218 |
| Depreciation on investments | **992,677** | (222,334) |
| Amortisation of premium on Held to Maturity Investments | **605,613** | 829,739 |
| Provision for Non Performing Advances/Investments (including bad debts) | **9,551,195** | 13,570,445 |
| Provision on standard assets | **1,661,564** | (9,100) |
| Provision for wealth tax | **4,558** | 3,483 |
| Provision for interest tax | **2,879** | - |
| Loss on sale of fixed assets | **69,762** | 38,707 |
| Provision for country risk | **24,500** | (15,300) |
| Provision for restructured assets | **150,615** | 564,722 |
| Provision for other contingencies | **412,205** | - |
| Amortisation of deferred employee compensation | **(186)** | (230) |
| | **67,727,846** | 55,616,983 |
| **Adjustments for:** | | |
| (Increase)/Decrease in investments | **(35,371,797)** | (49,859,981) |
| (Increase)/Decrease in advances | **(390,403,391)** | (241,787,053) |
| Increase/(Decrease) in deposits | **479,375,834** | 239,261,124 |
| (Increase)/Decrease in other assets | **(5,450,468)** | 168,828 |
| Increase/(Decrease) in other liabilities & provisions | **17,664,930** | 13,727,672 |
| Direct taxes paid | **(19,292,248)** | (15,146,740) |
| **Net cash flow from operating activities** | **114,250,706** | 1,980,833 |
| **Cash flow from investing activities** | | |
| Purchase of fixed assets | **(13,602,967)** | (4,065,926) |
| (Increase)/Decrease in Held to Maturity Investments | **(126,380,416)** | (47,352,587) |
| Proceeds from sale of fixed assets | **130,076** | 188,676 |
| **Net cash used in investing activities** | **(139,853,307)** | (51,229,837) |

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2011**

| | **Year ended 31-03-2011 (₹ in Thousands)** | Year ended 31-03-2010 (₹ in Thousands) |
|---|---|---|
| **Cash flow from financing activities** | | |
| Proceeds from issue of subordinated debt, perpetual debt & upper Tier II instruments (net of repayment) | **(1,625,906)** | 18,214,280 |
| Increase/(Decrease) in borrowings (excluding subordinated debt, perpetual debt & upper Tier II instruments) | **92,609,218** | (1,717,478) |
| Proceeds from issue of share capital | **53,717** | 461,690 |
| Proceeds from share premium (net of share issue expenses) | **2,353,987** | 38,570,041 |
| Payment of dividend | **(5,694,110)** | (4,205,287) |
| **Net cash generated from financing activities** | **87,696,906** | 51,323,246 |
| Effect of exchange fluctuation translation reserve | **(46,833)** | (204,112) |
| Net increase in cash and cash equivalents | **62,047,472** | 1,870,130 |
| Cash and cash equivalents at the beginning of the year | **152,039,087** | 150,168,957 |
| Cash and cash equivalents at the end of the year | **214,086,559** | 152,039,087 |

**Note :**

1. Cash and cash equivalents comprise of cash on hand (including foreign currency notes), balances with Reserve Bank of India, balances with banks and money at call & short notice (refer Schedules 6 and 7 of the Balance Sheet).

**In terms of our report attached.**

**For Deloitte Haskins & Sells**
Chartered Accountants

**Nalin M. Shah**
Partner

**For Axis Bank Ltd.**

**Adarsh Kishore**
Chairman

**R. H. Patil**
Director

**R. B. L. Vaish**
Director

**Shikha Sharma**
Managing Director & CEO

**Sushil Kumar Roongta**
Director

**S. B. Mathur**
Director

**S. K. Chakrabarti**
Deputy Managing Director

**P. J. Oza**
Company Secretary

**Somnath Sengupta**
Executive Director & CFO

Date : 22 April, 2011
Place: Mumbai

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH, 2011

| | As at 31-03-2011 (₹ in Thousands) | As at 31-03-2010 (₹ in Thousands) |
|---|---|---|
| **SCHEDULE 1 - CAPITAL** | | |
| **Authorised Capital** | | |
| 500,000,000 Equity Shares of ₹10/- each | **5,000,000** | 5,000,000 |
| **Issued, Subscribed and Paid-up capital** | | |
| 410,545,843 (Previous year - 405,174,119) Equity Shares of ₹10/- each fully paid-up | **4,105,458** | 4,051,741 |

| | As at 31-03-2011 (₹ in Thousands) | As at 31-03-2010 (₹ in Thousands) |
|---|---|---|
| **SCHEDULE 2 - RESERVES AND SURPLUS** | | |
| **I. Statutory Reserve** | | |
| Opening Balance | **19,349,123** | 13,062,790 |
| Additions during the year | **8,471,227** | 6,286,333 |
| | **27,820,350** | 19,349,123 |
| **II. Share Premium Account** | | |
| Opening Balance | **97,695,255** | 59,115,068 |
| Additions during the year | **2,355,535** | 39,064,364 |
| Less: Share issue expenses | **-** | (484,177) |
| | **100,050,790** | 97,695,255 |
| **III. Investment Reserve Account** | | |
| Opening Balance | **149,372** | 622 |
| Additions during the year | **-** | 149,372 |
| Less: Deductions during the year | **(149,372)** | (622) |
| | **-** | 149,372 |
| **IV. General Reserve** | | |
| Opening Balance | **146,109** | 143,000 |
| Additions during the year | **3,388,491** | 3,109 |
| | **3,534,600** | 146,109 |
| **V. Capital Reserve** | | |
| Opening Balance | **4,858,305** | 2,619,129 |
| Additions during the year | **47,630** | 2,239,176 |
| | **4,905,935** | 4,858,305 |
| **VI. Foreign Currency Translation Reserve [refer Schedule 17 (5.5)]** | | |
| Opening Balance | **(79,752)** | 124,361 |
| Additions during the year | **(46,833)** | (204,113) |
| | **(126,585)** | (79,752) |
| **VII. Balance in Profit & Loss Account** | **49,697,707** | 34,274,337 |
| **TOTAL** | **185,882,797** | 156,392,749 |

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH, 2011

| | | | **As at 31-03-2011 (₹ in Thousands)** | As at 31-03-2010 (₹ in Thousands) |
|---|---|---|---|---|
| **SCHEDULE 3 - DEPOSITS** | | | | |
| A. | I. | Demand Deposits | | |
| | | (i) From banks | **14,305,111** | 13,564,428 |
| | | (ii) From others | **354,865,812** | 308,112,937 |
| | II. | Savings Bank Deposits | **408,503,090** | 338,617,974 |
| | III. | Term Deposits | | |
| | | (i) From banks | **76,750,855** | 41,073,459 |
| | | (ii) From others | **1,037,953,142** | 711,633,377 |
| | **TOTAL** | | **1,892,378,010** | 1,413,002,175 |
| B. | I. | Deposits of branches in India | **1,826,772,021** | 1,371,814,555 |
| | II. | Deposits of branches outside India | **65,605,989** | 41,187,620 |
| | **TOTAL** | | **1,892,378,010** | 1,413,002,175 |

## SCHEDULE 4 - BORROWINGS

| | | | | |
|---|---|---|---|---|
| | I. | Borrowings in India | | |
| | | (i) Reserve Bank of India | **-** | - |
| | | (ii) Other Banks # | **14,237,000** | 4,534,500 |
| | | (iii) Other institutions & agencies ** | **64,072,286** | 69,317,373 |
| | II. | Borrowings outside India $ | **184,369,538** | 97,843,639 |
| | **TOTAL** | | **262,678,824** | 171,695,512 |
| | Secured borrowing included in I & II above | | **-** | - |

# Borrowings from Other Banks include Subordinated Debt of ₹364.60 crores (previous year ₹384.45 crores) in the nature of Non-Convertible Debentures, Perpetual Debt of ₹Nil (previous year ₹5.00 crores) and Upper Tier II instruments of ₹59.10 crores (previous year ₹64.00 crores) [Also refer Notes 18 (2.1.2) & 18 (2.1.3)]

** Borrowings from Other institutions & agencies include Subordinated Debt of ₹4,966.70 crores (previous year ₹5,101.85 crores) in the nature of Non-Convertible Debentures, Perpetual Debt of ₹214.00 crores (previous year ₹209.00 crores) and Upper Tier II instruments of ₹248.40 crores (previous year ₹243.50 crores) [Also refer Notes 18 (2.1.2) & 18 (2.1.3)]

$ Borrowings outside India include Perpetual Debt of ₹205.14 crores (previous year ₹206.54 crores) and Upper Tier II instruments of ₹935.30 crores (previous year ₹941.48 crores) [Also refer Notes 18 (2.1.3)]

## SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

| | | | |
|---|---|---|---|
| I. | Bills payable | **35,843,209** | 29,104,011 |
| II. | Inter - office adjustments (net) | **-** | - |
| III. | Interest accrued | **4,143,337** | 3,480,104 |
| IV. | Proposed dividend (includes tax on dividend) | **6,678,836** | 5,669,386 |
| V. | Contingent provision against standard assets | **6,296,647** | 4,635,084 |
| VI. | Others (including provisions) | **29,126,598** | 18,446,023 |
| | **TOTAL** | **82,088,627** | 61,334,608 |

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH, 2011

| | | | As at 31-03-2011 (₹ in Thousands) | As at 31-03-2010 (₹ in Thousands) |
|---|---|---|---|---|
| **SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA** | | | | |
| I. | Cash in hand (including foreign currency notes) | | **22,082,833** | 19,007,011 |
| II. | Balances with Reserve Bank of India : | | | |
| | (i) | in Current Account | **116,778,797** | 75,813,445 |
| | (ii) | in Other Accounts | **-** | - |
| | **TOTAL** | | **138,861,630** | 94,820,456 |

| | | | | |
|---|---|---|---|---|
| **SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE** | | | | |
| I. | In India | | | |
| | (i) | Balance with Banks | | |
| | | (a) in Current Accounts | **4,407,510** | 7,922,165 |
| | | (b) in Other Deposit Accounts | **49,184,270** | 34,401,730 |
| | (ii) | Money at Call and Short Notice | | |
| | | (a) with banks | **29,900** | 5,000 |
| | | (b) with other institutions | **-** | - |
| | **TOTAL** | | **53,621,680** | 42,328,895 |
| II. | Outside India | | | |
| | i) | in Current Accounts | **4,835,529** | 9,078,381 |
| | ii) | in Other Deposit Accounts | **10,658,205** | 5,811,355 |
| | iii) | Money at Call & Short Notice | **6,109,515** | - |
| | **TOTAL** | | **21,603,249** | 14,889,736 |
| | **GRAND TOTAL (I+II)** | | **75,224,929** | 57,218,631 |

| | | | | |
|---|---|---|---|---|
| **SCHEDULE 8 - INVESTMENTS** | | | | |
| **I.** | **Investments in India in -** | | | |
| | (i) | Government Securities ## | **441,549,553** | 341,958,753 |
| | (ii) | Other approved securities | **-** | - |
| | (iii) | Shares | **6,928,717** | 5,295,991 |
| | (iv) | Debentures and Bonds | **180,704,920** | 138,232,582 |
| | (v) | Investment in Subsidiaries/Joint Ventures | **2,595,500** | 1,535,500 |
| | (vi) | Others (Mutual Fund units, CD/CP, NABARD deposits, PTC etc.) @ | **82,405,862** | 65,941,255 |
| | **Total Investments in India** | | **714,184,552** | 552,964,081 |
| **II.** | **Investments outside India in -** | | | |
| | (i) | Government Securities (including local authorities) | **429,340** | - |
| | (ii) | Subsidiaries and/or joint ventures abroad (amount less than ₹1,000 for current year, previous year ₹Nil) | **-** | - |
| | (iii) | Others | **5,302,316** | 6,784,075 |
| | **Total Investments outside India** | | **5,731,656** | 6,784,075 |
| | **GRAND TOTAL ( I + II )** | | **719,916,208** | 559,748,156 |

## Includes securities costing ₹4,424.90 crores (previous year ₹4,237.60 crores) pledged for availment of fund transfer facility, clearing facility and margin requirements

@ Includes deposits with NABARD ₹4,064.71 crores (previous year ₹3,002.70 crores) and PTC's ₹212.98 crores (previous year ₹351.28 crores) net of depreciation

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH, 2011

| | | | | As at 31-03-2011 (₹ *in Thousands*) | As at 31-03-2010 (₹ *in Thousands*) |
|---|---|---|---|---|---|
| **SCHEDULE 9 - ADVANCES** | | | | | |
| A. | (i) | Bills purchased and discounted * | | **34,812,948** | 34,500,593 |
| | (ii) | Cash credits, overdrafts and loans repayable on demand | | **349,803,398** | 260,135,632 |
| | (iii) | Term loans # | | **1,039,461,940** | 748,773,239 |
| | **TOTAL** | | | **1,424,078,286** | 1,043,409,464 |
| B. | (i) | Secured by tangible assets $ | | **1,131,026,880** | 865,761,933 |
| | (ii) | Covered by Bank/Government Guarantees && | | **32,394,561** | 16,367,294 |
| | (iii) | Unsecured | | **260,656,845** | 161,280,237 |
| | **TOTAL** | | | **1,424,078,286** | 1,043,409,464 |
| C. | I. | Advances in India | | | |
| | | (i) | Priority Sector | **412,891,152** | 299,404,189 |
| | | (ii) | Public Sector | **30,039,403** | 32,047,307 |
| | | (iii) | Banks | **2,408,096** | 3,825,615 |
| | | (iv) | Others | **782,963,737** | 584,824,255 |
| | **TOTAL** | | | **1,228,302,388** | 920,101,366 |
| | II. | Advances Outside India | | | |
| | | (i) | Due from banks | **4,196,520** | 332,996 |
| | | (ii) | Due from others - | | |
| | | | (a) Bills purchased and discounted | **6,264,497** | 4,316,262 |
| | | | (b) Syndicated loans | **70,389,401** | 63,702,125 |
| | | | (c) Others | **114,925,480** | 54,956,715 |
| | **TOTAL** | | | **195,775,898** | 123,308,098 |
| | **GRAND TOTAL [ C I + C II ]** | | | **1,424,078,286** | 1,043,409,464 |

* Net of borrowings under Bills Rediscounting Scheme ₹1,800 crores (previous year ₹Nil)

\# Net of borrowings under Inter Bank Participation Certificate ₹3,401 crores (previous year ₹Nil)

$ Includes advances against book debts

&& Includes advances against L/Cs issued by banks

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH, 2011

| | | As at 31-03-2011 (₹ in Thousands) | As at 31-03-2010 (₹ in Thousands) |
|---|---|---|---|
| **SCHEDULE 10 - FIXED ASSETS** | | | |
| I. | Premises | | |
| | **Gross Block** | | |
| | At cost at the beginning of the year | **891,351** | 891,351 |
| | Additions during the year | **8,244,785** | - |
| | Deductions during the year | **(18,796)** | - |
| | TOTAL | **9,117,340** | 891,351 |
| | **Depreciation** | | |
| | As at the beginning of the year | **161,989** | 117,422 |
| | Charge for the year | **46,669** | 44,567 |
| | Deductions during the year | **(10,277)** | - |
| | Depreciation to date | **198,381** | 161,989 |
| | **Net Block** | **8,918,959** | 729,362 |
| II. | Other fixed assets (including furniture & fixtures) | | |
| | **Gross Block** | | |
| | At cost at the beginning of the year | **20,188,424** | 16,527,205 |
| | Additions during the year | **5,703,660** | 4,068,383 |
| | Deductions during the year | **(744,511)** | (407,164) |
| | TOTAL | **25,147,573** | 20,188,424 |
| | **Depreciation** | | |
| | As at the beginning of the year | **9,265,956** | 7,147,088 |
| | Charge for the year | **2,849,203** | 2,298,651 |
| | Deductions during the year | **(553,192)** | (179,783) |
| | Depreciation to date | **11,561,967** | 9,265,956 |
| | **Net Block** | **13,585,606** | 10,922,468 |
| III. | CAPITAL WORK-IN-PROGRESS (including capital advances) | **226,891** | 572,369 |
| | **GRAND TOTAL (I + II + III)** | **22,731,456** | 12,224,199 |

| | | | |
|---|---|---|---|
| **SCHEDULE 11 - OTHER ASSETS** | | | |
| I. | Inter-office adjustments (net) | **-** | - |
| II. | Interest Accrued | **17,165,984** | 12,771,048 |
| III. | Tax paid in advance/tax deducted at source (net of provisions) | **401,429** | 643,504 |
| IV. | Stationery and stamps | **11,794** | 9,698 |
| V. | Non banking assets acquired in satisfaction of claims | **53,174** | 21,724 |
| VI. | Others # | **28,688,826** | 25,611,639 |
| | **TOTAL** | **46,321,207** | 39,057,613 |

# Includes deferred tax assets of ₹816.85 crores (previous year ₹611.33 crores)

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH, 2011**

| | | **As at 31-03-2011 *(₹ in Thousands)*** | As at 31-03-2010 *(₹ in Thousands)* |
|---|---|---|---|
| **SCHEDULE 12 - CONTINGENT LIABILITIES** | | | |
| I. | Claims against the bank not acknowledged as debts | **2,344,295** | 2,712,325 |
| II. | Liability for partly paid investments | **-** | - |
| III. | Liability on account of outstanding forward exchange and derivative contracts: | | |
| | (a) Forward Contracts | **1,940,496,939** | 1,265,355,295 |
| | (b) Interest Rate Swaps, Currency Swaps, Forward Rate Agreement & Interest Rate Futures | **1,647,016,628** | 1,317,574,459 |
| | (c) Foreign Currency Options | **141,258,629** | 56,162,649 |
| | TOTAL (a + b + c) | **3,728,772,196** | 2,639,092,403 |
| IV. | Guarantees given on behalf of constituents | | |
| | In India | **464,332,544** | 332,315,553 |
| | Outside India | **76,278,216** | 41,767,220 |
| V. | Acceptances, endorsements and other obligations | **249,276,960** | 164,634,485 |
| VI. | Other items for which the Bank is contingently liable | **18,969,073** | 2,290,037 |
| | **GRAND TOTAL (I + II + III + IV + V + VI)** | **4,539,973,284** | 3,182,812,023 |

## SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2011

| | | Year ended 31-03-2011 (₹ in Thousands) | Year ended 31-03-2010 (₹ in Thousands) |
|---|---|---|---|
| **SCHEDULE 13 - INTEREST EARNED** | | | |
| I. | Interest/discount on advances/bills | **104,031,107** | 79,866,040 |
| II. | Income on investments | **44,386,841** | 34,283,084 |
| III. | Interest on balances with Reserve Bank of India and other inter-bank funds | **1,826,199** | 1,200,049 |
| IV. | Others | **1,303,911** | 1,031,042 |
| | **TOTAL** | **151,548,058** | 116,380,215 |
| **SCHEDULE 14 - OTHER INCOME** | | | |
| I. | Commission, exchange and brokerage | **33,574,183** | 25,651,986 |
| II. | Profit/(Loss) on sale of Investments (net) | **3,663,189** | 7,362,439 |
| III. | Profit/(Loss) on sale of fixed assets (net) | **(69,762)** | (38,707) |
| IV. | Profit on exchange transactions/Derivatives transactions (net) | **5,636,045** | 4,458,991 |
| V. | Income earned by way of dividends etc. from subsidiaries/companies and/or joint venture abroad/in India | **7,500** | 1,419 |
| VI. | Miscellaneous Income [including recoveries on account of advances/investments/derivative receivables written off in earlier years ₹325.22 crores (previous year ₹174.43 crores) and profit on account of portfolio sell downs/securitisation ₹17.96 crores (previous year ₹22.45 crores)] | **3,510,183** | 2,021,691 |
| | **TOTAL** | **46,321,338** | 39,457,819 |
| **SCHEDULE 15 - INTEREST EXPENDED** | | | |
| I. | Interest on deposits | **74,985,188** | 57,145,252 |
| II. | Interest on Reserve Bank of India/Inter-bank borrowings | **1,609,768** | 1,493,646 |
| III. | Others @ | **9,323,274** | 7,696,363 |
| | **TOTAL** | **85,918,230** | 66,335,261 |
| | @ Including interest on repos & subordinated debt | | |
| **SCHEDULE 16 - OPERATING EXPENSES** | | | |
| I. | Payments to and provisions for employees | **16,139,001** | 12,558,219 |
| II. | Rent, taxes and lighting | **6,798,464** | 4,960,904 |
| III. | Printing and stationery | **1,095,968** | 831,035 |
| IV. | Advertisement and publicity | **790,153** | 472,694 |
| V. | Depreciation on bank's property | **2,895,872** | 2,343,218 |
| VI. | Directors' fees, allowance and expenses | **5,758** | 5,109 |
| VII. | Auditors' fees and expenses | **7,500** | 6,800 |
| VIII. | Law charges | **133,752** | 147,406 |
| IX. | Postage, telegrams, telephones, etc. | **1,984,921** | 1,756,553 |
| X. | Repairs and maintenance | **3,839,337** | 3,023,309 |
| XI. | Insurance | **1,849,490** | 1,414,304 |
| XII. | Other expenditure | **12,254,065** | 9,577,672 |
| | **TOTAL** | **47,794,281** | 37,097,223 |

## 17 Significant accounting policies for the year ended 31 March, 2011

### 1 Background

Axis Bank Limited ('the Bank') was incorporated in 1993 and provides a complete suite of corporate and retail banking products.

### 2 Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting, and comply with the generally accepted accounting principles, statutory requirements prescribed under the Banking Regulation Act, 1949, the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006, to the extent applicable and current practices prevailing within the banking industry in India.

### 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, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. 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 Changes in accounting estimates

#### *4.1 Change in estimated useful life of fixed assets*

During the year, the Bank has revised the estimated useful lifes of the following types of fixed assets:

- Modems, scanners, routers, hubs and switches from 10 years to 5 years
- Video conferencing equipment and printers from 10 years to 3 years
- Racks/cabinets for IT equipment from 16 years to 5 years
- Owned premises from 20 years to 61 years

As a result of the aforesaid revisions, the net depreciation charge for the year is higher by ₹16.22 crores with a corresponding decrease in the net block of fixed assets.

#### *4.2 Change in estimate of lease term for operating leases*

During the current year, the Bank has revised its estimate of lease term in the case of assets taken on operating leases to include the secondary period of the lease involving further payment of lease rentals based on continuation of the lease at the option of the Bank, as against the primary lease period as considered hitherto. As a result the operating expenses for the year are higher by ₹93.04 crores with a consequent reduction to the profit before tax.

### 5 Significant accounting policies

#### *5.1 Investments*

*Classification*

In accordance with the RBI guidelines, investments are classified at the date 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 reclassified as AFS securities as on that date.

Investments that the Bank intends to hold till maturity are classified under the HTM category.

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, 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 are carried at acquisition cost. Any premium on acquisition over face value is amortised on a constant yield to maturity basis over the remaining period to maturity. 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 are marked to market. The market/fair value of quoted investments included in the 'Available for Sale' and 'Held for Trading' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges, SGL account transactions, price list of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association of India ('FIMMDA'), 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 book value of individual securities is not changed consequent to the periodic valuation of investments.

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:

- market value of unquoted Government Securities is derived based on the Prices/Yield to Maturity ('YTM') rate for Government Securities of equivalent maturity as notified by FIMMDA jointly with the PDAI at periodic intervals;
- in case of Central Government Securities, which do not qualify for SLR requirement, the market price is derived by adding the appropriate mark up to the Base Yield Curve of Central Government Securities as notified by FIMMDA;

- market value of unquoted State Government Securities is derived by adding the appropriate mark up above the Base Yield Curve of the Central Government Securities of equivalent maturity as notified by the FIMMDA/PDAI at periodic intervals;
- in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly, the market price is derived based on the YTM for Government Securities as notified by FIMMDA/PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA is adopted for this purpose;
- in case of preference shares where dividend is not received regularly, the price derived on the basis of YTM is discounted in accordance with the RBI guidelines;
- in case of bonds and debentures (including PTCs) where interest is not received regularly, 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 Re. 1 per company;
- units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per 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 Re.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
- investments in Credit Linked Notes ('CLNs'), are valued based on current quotations where the same are available. In the absence of quotes, the same are valued based on internal valuation methodology using appropriate mark-up and other estimates such as price of the underlying Foreign Currency Convertible Bond (FCCB), rating category of the CLN etc.

Investments in subsidiaries/joint ventures are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines.

Realised gains on investments under the HTM category are recognised in the Profit and Loss Account and subsequently appropriated to Capital Reserve account in accordance with the RBI guidelines. Losses are recognised in the Profit and Loss Account.

All investments are accounted for on settlement date except investments in equity shares which are accounted for on trade date as the corporate actions are effected in equity on the trade date.

*Repurchase and reverse repurchase transactions*

Repurchase and reverse repurchase transactions [excluding those conducted under the Liquidity Adjustment Facility (LAF) with RBI] are accounted as collateralised borrowing and lending respectively. Such transactions done under LAF are accounted as outright sale and outright purchase respectively. However, depreciation in their value, if any, compared to their original cost, is recognised in the Profit and Loss Account.

### *5.2 Advances*

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 and floating provisions. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. 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.

Loss assets and unsecured portion of doubtful assets are provided/written off as per the extant RBI guidelines. NPAs are identified by periodic appraisals of the loan portfolio by the Management.

For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring.

A general provision @ 0.25% in case of direct advances to agricultural and SME sectors, 1% in respect of advances classified as commercial real estate, 2% in respect of housing loans at teaser rates and 0.40% for all other advances is made as prescribed by the RBI.

### *5.3 Country risk*

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). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and 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 country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

### *5.4 Securtisation*

The Bank enters into purchase/sale of corporate and retail loans through direct assignment/Special Purpose Vehicle ('SPV'). In most cases, post securtisation, 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.

Gain on securtisation transaction is recognized over the period of the underlying securities issued by the SPV. Loss on securtisation is immediately debited to the Profit and Loss Account.

### *5.5 Foreign currency transactions*

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 branches classified as non-integral foreign operations are translated as follows:

- Assets and liabilities (both monetary and non-monetary as well as contingent liabilities) are translated at closing rates notified by FEDAI at the year end.
- 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.

Outstanding forward exchange contracts (excluding currency swaps undertaken to hedge foreign currency assets/ liabilities and funding swaps which are not revalued) and spot exchange contracts are revalued at year end exchange rates notified by FEDAI for specified maturities and at interpolated rates for contract of interim maturities. The resulting gains or losses on revaluation are included in the Profit and Loss Account in accordance with RBI/FEDAI guidelines. The forward exchange contracts of longer maturities where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the swap curves in respective currencies. The resultant gains or losses are recognised in the Profit and Loss Account.

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 foreign exchange contracts/options, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

### *5.6 Derivative transactions*

Derivative transactions comprise of forward contracts, swaps and options which are disclosed as contingent liabilities. The forwards, swaps and options are segregated 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 or other liabilities respectively. 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 derivative transactions are accounted for pursuant to the principles of hedge accounting. The premium on option contracts is accounted for as per FEDAI guidelines. Pursuant to the RBI guidelines any receivables under derivatives contracts which remain overdue for more than 90 days are reversed through the Profit and Loss Account and are held in a separate Suspense Account.

### 5.7 *Revenue recognition*

Interest income is recognised on an accrual basis except interest income on non-performing assets, which is recognised on receipt in accordance with Accounting Standard 9 and the RBI guidelines.

Fees and commission income is recognised when due, except for guarantee commission which is recognised pro-rata over the period of the guarantee.

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.

Gain or loss arising on sale of NPAs is accounted as per the guidelines prescribed by the RBI, which require provisions to be made for any deficit (where sale price is lower than the net book value), while surplus (where sale price is higher than the net book value) is ignored.

Arrangership/syndication fee is accounted for on completion of the agreed service and when right to receive is established.

### *5.8 Fixed assets and depreciation*

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes freight, 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 (including on assets given on operating lease) is provided on the straight-line method from the date of addition. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the Management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter, then depreciation is provided at a higher rate based on the Management's estimate of the useful life/remaining useful life. Pursuant to this policy, depreciation has been provided using the following estimated useful lives:

| Asset | Estimated useful life |
|---|---:|
| Owned premises | 61 years |
| Assets given on operating lease | 20 years |
| Computer hardware including printers | 3 years |
| Application software | 5 years |
| Vehicles | 4 years |

| Asset | Estimated useful life |
|---|---|
| EPABX, telephone instruments | 8 years |
| CCTV and video conferencing equipment | 3 years |
| Mobile phone | 2 years |
| Locker cabinets/cash safe/strong room door | 16 years |
| Modem, scanner, routers, hubs, switches, racks/cabinets for IT equipment | 5 years |
| Assets at staff residence | 3 years |
| All other fixed assets | 10 years |

All fixed assets individually costing less than ₹5,000 are fully depreciated in the year of installation.

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.

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.

### *5.9 Lease transactions*

Assets given on operating lease are capitalised at cost. Rentals received by the Bank are recognised in the Profit and Loss Account on accrual basis.

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.

### *5.10 Retirement and other employee benefits*

**Provident Fund**

Retirement benefit in the form of provident fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the fund are due. There are no other obligations other than the contribution payable to the trust.

**Gratuity**

The Bank contributes towards gratuity fund (defined benefit retirement plan) administered by the Life Insurance Corporation of India ('LIC'), Metlife Insurance Company Limited ('Metlife'), HDFC Standard Life Insurance Company Limited ('HDFC Life') and ICICI Prudential Life Insurance Company Limited ('ICICI Pru') for eligible employees. Under this scheme, the settlement obligations remain with the Bank, although LIC/Metlife/HDFC Life/ICICI Pru 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.

**Leave Encashment**

Short term compensated absences are provided for based on estimates. The Bank provides leave encashment benefit (long term), which is a defined benefit scheme 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.

**Superannuation**

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.

Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

### *5.11 Debit/Credit card reward points*

The Bank estimates the probable redemption of debit and credit card 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.

### *5.12 Taxation*

Income tax expense is the aggregate amount of current tax and deferred tax charge. Current year taxes are determined in accordance with the Income Tax Act, 1961. Deferred income taxes reflects 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 current tax assets against current tax liabilities 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 recognized in the Profit and Loss Account.

Deferred tax assets are recognized 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 that such deferred tax asset can be realised against future profits.

### *5.13 Share issue expenses*

Share issue expenses are adjusted from share premium account.

### *5.14 Earnings per share*

The Bank reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as notified by the Companies (Accounting Standards) Rules, 2006. 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.

### *5.15 Employee stock option scheme*

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 Bank follows the intrinsic value method to account for its stock based employee compensation plans as per the Guidance Note on 'Accounting for Employee Share-based Payments' issued by the ICAI. 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 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.

***5.16 Provisions, contingent liabilities and contingent assets***

A provision is recognised when the Bank 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 Bank; 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.

## 18 Notes forming part of the financial statements for the year ended 31 March, 2011

(Currency: In Indian Rupees)

**1** On 17 November, 2010, the Board of Directors of the Bank approved the acquisition of certain businesses undertaken by Enam Securities Private Limited (ESPL) through its wholly-owned subsidiary, Axis Securities and Sales Limited (ASSL), by way of a demerger. It is envisaged that these businesses will be transferred to ASSL, pursuant to a Scheme of Arrangement, as may be approved by the relevant High Courts under Sections 391 to 394 and other relevant provisions of the Companies Act, 1956 and subject to receipt of necessary requisite approvals. The appointed date for the purpose of the Demerger under the Scheme shall be 1 April, 2010. The valuation of the ESPL business was assessed at ₹2,067 crores and in consideration for the demerger, the Bank will issue shares in the ratio of 5.7 equity shares of the Bank (aggregating 13,782,600 equity shares) of the face value of ₹10 each for every 1 equity share (aggregating 2,418,000 equity shares) of ₹10 each held by the shareholders of ESPL.

**2 Statutory disclosures as per RBI**

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

*(₹ in crores)*

| **For the year ended** | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Provision for income tax | | |
| - Current tax for the year | **1,953.03** | 1,492.02 |
| - Deferred tax for the year | **(205.52)** | (155.19) |
| Provision for fringe benefit tax | **(0.34)** | - |
| | **1,747.17** | 1,336.83 |
| Provision for wealth tax | **0.46** | 0.35 |
| Provision for interest tax | **0.29** | - |
| Provision for non performing advances & investments (including bad debts written off and write backs) | **955.12** | 1,357.04 |
| Provision for restructured assets | **15.06** | 56.47 |
| Provision towards standard assets | **166.16** | (0.91) |
| Provision for depreciation in value of investments | **99.27** | (22.23) |
| Provision for country risk | **2.45** | (1.53) |
| Provision for other contingencies | **41.22** | - |
| **Total** | **3,027.20** | 2,726.02 |

2.1.2 In terms of its guidelines for implementation of the new capital adequacy framework issued on 27 April, 2007, RBI directed banks with overseas branches to migrate to the revised framework for capital computation (under Basel II) with effect from 31 March, 2008. The minimum capital to be maintained by banks under the Revised Framework is subject to a prudential floor of 80% of the capital requirement under Basel I.

The capital adequacy ratio of the Bank, calculated as per the RBI guidelines (Basel II requirement being higher) is set out below:

*(₹ in crores)*

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Capital adequacy | | |
| Tier I | **18,503.49** | 15,789.42 |
| Tier II | **6,366.86** | 6,518.47 |
| **Total capital** | **24,870.35** | 22,307.89 |
| Total risk weighted assets and contingents | **196,562.61** | 141,169.77 |
| Capital ratios | | |
| Tier I | **9.41%** | 11.18% |
| Tier II | **3.24%** | 4.62% |
| **CRAR** | **12.65%** | 15.80% |
| Amount raised by issue of Innovative Perpetual Debt Instruments (IPDI) | **-** | - |
| Amount raised by issue of Upper Tier II instruments | **-** | - |
| Amount of Subordinated Debt raised as Tier II capital (details given below) | **-** | ₹2,000 crores |

The Bank has not raised any subordinated debt during the year ended 31 March, 2011.

During the year ended 31 March, 2010, the Bank raised subordinated debt of ₹2,000.00 crores, the details of which are set out below:

| **Date of allotment** | **Period** | **Coupon** | **Amount** |
|---|---|---|---|
| 16 June, 2009 | 120 months | 9.15% | ₹2,000.00 crores |

During the year ended 31 March, 2011, the Bank redeemed subordinated debt of ₹155 crores, the details of which are set out below:

| **Date of maturity** | **Period** | **Coupon** | **Amount** |
|---|---|---|---|
| 4 June, 2010 | 72 months | 5.75% | ₹150.00 crores |
| 20 June, 2010 | 93 months | 9.05% | ₹5.00 crores |

During the year ended 31 March, 2010, the Bank redeemed subordinated debt of ₹30.00 crores, the details of which are set out below:

| **Date of maturity** | **Period** | **Coupon** | **Amount** |
|---|---|---|---|
| 26 April, 2009 | 69 months | 6.50% | ₹30.00 crores |

2.1.3 The Bank has not raised any hybrid capital during the years ended 31 March, 2011 and 31 March, 2010.

2.1.4 The key business ratios and other information is set out below:

| **As at** | **31 March, 2011** **%** | 31 March, 2010 % |
|---|---|---|
| Interest income as a percentage to working funds # | **7.49** | 7.73 |
| Non-interest income as a percentage to working funds # | **2.29** | 2.62 |
| Operating profit as a percentage to working funds # | **3.17** | 3.48 |
| Return on assets (based on working funds)# | **1.68** | 1.67 |
| Business (deposits less inter bank deposits plus advances) per employee** | **₹13.66 crores** | ₹11.11 crores |
| Profit per employee** | **₹0.14 crore** | ₹0.12 crore |
| Net non performing assets as a percentage of net customer assets* | **0.26** | 0.36 |

# Working funds represent average of total assets as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949 during the year

* Net Customer assets include advances and credit substitutes

** Productivity ratios are based on average employee numbers for the year

2.1.5 The provisioning coverage ratio of the Bank computed in terms of the RBI guidelines as on 31 March, 2011 was 80.90% (previous year 72.38%).

2.1.6 Asset Quality

i) Net non-performing assets to net advances is set out below:

| | **31 March, 2011 %** | 31 March, 2010 % |
|---|---|---|
| Net non performing assets as a percentage of net advances | **0.29** | 0.40 |

ii) Movement in gross non-performing assets is set out below:

*(₹ in crores)*

| | | **31 March, 2011** | |
|---|---|---|---|
| | **Advances** | **Investments** | **Total** |
| Gross NPAs as at the beginning of the year | 1,295.42 | 22.58 | 1,318.00 |
| Additions (fresh NPAs) during the year | 1,448.31 | - | 1,448.31 |
| **Sub-total (A)** | **2,743.73** | **22.58** | **2,766.31** |
| Less:- | | | |
| (i) Upgradations | 228.59 | - | 228.59 |
| (ii) Recoveries (excluding recoveries made from upgraded accounts) | 260.23 | 9.90 | 270.13 |
| (iii) Write-offs | 667.92 | 0.25 | 668.17 |
| **Sub-total (B)** | **1,156.74** | **10.15** | **1,166.89** |
| **Gross NPAs as at the end of the year (A-B)** | **1,586.99** | **12.43** | **1,599.42** |

*(₹ in crores)*

| | | **31 March, 2010** | |
|---|---|---|---|
| | **Advances** | **Investments** | **Total** |
| Gross NPAs as at the beginning of the year | 890.48 | 7.29 | 897.77 |
| Additions (fresh NPAs) during the year | 1,784.67 | 16.03 | 1,800.70 |
| **Sub-total (A)** | **2,675.15** | **23.32** | **2,698.47** |
| Less:- | | | |
| (i) Upgradations | 201.33 | - | 201.33 |
| (ii) Recoveries (excluding recoveries made from upgraded accounts) | 147.65 | 0.74 | 148.39 |
| (iii) Write-offs | 1,030.75 | - | 1,030.75 |
| **Sub-total (B)** | **1,379.73** | **0.74** | **1,380.47** |
| **Gross NPAs as at the end of the year (A-B)** | **1,295.42** | **22.58** | **1,318.00** |

iii) Movement in net non-performing assets is set out below:

*(₹ in crores)*

| | 31 March, 2011 | | |
|---|---|---|---|
| | **Advances** | **Investments** | **Total** |
| Opening balance at the beginning of the year | 412.60 | 6.40 | 419.00 |
| Additions during the year | 453.05 | - | 453.05 |
| Reductions during the year | (452.97) | (6.40) | (459.37) |
| Interest Capitalisation – Restructured NPA Accounts | (2.33) | - | (2.33) |
| **Closing balance at the end of the year** | **410.35** | **-** | **410.35** |

*(₹ in crores)*

| | 31 March, 2010 | | |
|---|---|---|---|
| | **Advances** | **Investments** | **Total** |
| Opening balance at the beginning of the year | 327.13 | - | 327.13 |
| Additions during the year | 420.50 | 6.99 | 427.49 |
| Reductions during the year | (335.03) | (0.59) | (335.62) |
| Interest Capitalisation – Restructured NPA Accounts | - | - | - |
| **Closing balance at the end of the year** | **412.60** | **6.40** | **419.00** |

iv) Movement in provisions for non-performing assets is set out below:

*(₹ in crores)*

| | 31 March, 2011 | | |
|---|---|---|---|
| | **Advances** | **Investments** | **Total** |
| Opening balance at the beginning of the year | 882.82 | 16.18 | 899.00 |
| Provisions made during the year | 984.25 | - | 984.25 |
| Transfer from restructuring provision | 11.01 | - | 11.01 |
| Write-offs/(write back) of excess provisions | (703.77) | (3.75) | (707.52) |
| **Closing balance at the end of the year** | **1,174.31** | **12.43** | **1,186.74** |

*(₹ in crores)*

| | 31 March, 2010 | | |
|---|---|---|---|
| | **Advances** | **Investments** | **Total** |
| Opening balance at the beginning of the year | 563.35 | 7.29 | 570.64 |
| Provisions made during the year | 1,364.17 | 9.04 | 1,373.21 |
| Write-offs/(write back) of excess provisions | (1,041.45) | (0.15) | (1,041.60) |
| Reclassification of floating provision* | (3.25) | - | (3.25) |
| **Closing balance at the end of the year** | **882.82** | **16.18** | **899.00** |

*on account of exclusion from Net NPA at the end of the year

v) Total exposure to top four non-performing assets is given below:

*(₹ in crores)*

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| Total exposure to top four NPA accounts | **291.54** | 162.64 |

vi) Non-performing assets as percentage of total assets in that sector is set out below:

| Sr. No. | Sector | 31 March, 2011 % | 31 March, 2010 % |
|---|---|---|---|
| 1. | Agriculture and allied activities | **2.56** | 2.31 |
| 2. | Industry (Micro & Small, Medium and Large) | **1.15** | 0.95 |
| 3. | Services* | **0.21** | 0.69 |
| 4. | Personal loans | **1.38** | 1.86 |

* includes Nil (previous year 0.06%) NPAs in respect of commercial real estate and 0.11% (previous year 0.39%) in respect of trade segment

2.1.7 Movement in floating provision is set out below:

*(₹ in crores)*

| For the year ended | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| Opening balance at the beginning of the year | **3.25** | 3.25 |
| Provisions made during the year | **-** | - |
| Draw down made during the year | **-** | - |
| **Closing balance at the end of the year** | **3.25** | 3.25 |

The Bank has not made any draw down out of the floating provision during the current and the previous year.

2.1.8 Provision on Standard Assets:

*(₹ in crores)*

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| Provision towards Standard Assets [includes ₹16.69 crores, (previous year ₹5.09 crores) of standard provision on derivative exposures] | **629.66** | 463.51 |

2.1.9 Amount of provisions made for income-tax during the year:

*(₹ in crores)*

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| Provision for Income Tax | | |
| a) Current tax for the year | **1,953.03** | 1,492.02 |
| b) Deferred tax for the year | **(205.52)** | (155.19) |
| c) Provision for fringe benefit tax | **(0.34)** | - |
| | **1,747.17** | 1,336.83 |

2.1.10 Details of Investments are set out below:

i) Value of Investments:

(₹ in crores)

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| 1) Gross value of Investments | | |
| a) In India | **71,641.51** | 55,401.96 |
| b) Outside India | **631.99** | 759.22 |
| 2) (i) Provision for Depreciation | | |
| a) In India | **210.62** | 89.37 |
| b) Outside India | **58.83** | 80.81 |
| (ii) Provision for Non-Performing Investments | | |
| a) In India | **12.43** | 16.18 |
| b) Outside India | **-** | - |
| 3) Net value of Investments | | |
| a) In India | **71,418.46** | 55,296.41 |
| b) Outside India | **573.16** | 678.41 |

ii) Movement of provisions held towards depreciation on investments:

(₹ in crores)

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| Opening balance | **170.18** | 200.00 |
| Add: Provisions made during the year | **124.68** | 40.97 |
| Less: Write offs/write back of excess provisions during the year | **25.41** | 70.79 |
| **Closing balance** | **269.45** | 170.18 |

2.1.11 A summary of lending to sensitive sectors is set out below:

(₹ in crores)

| As at | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| **A. Exposure to Real Estate Sector** | | |
| 1) *Direct Exposure* | | |
| (i) Residential mortgages | **20,646.94** | 15,612.74 |
| - of which housing loans eligible for inclusion in priority sector advances | **6,978.34** | 6,050.33 |
| (ii) Commercial real estate | **9,029.16** | 6,759.51 |
| (iii) Investments in Mortgage Backed Securities (MBS) and other securtized exposures - | | |
| a. Residential | **-** | - |
| b. Commercial real estate | **-** | - |
| 2) *Indirect Exposure* | | |
| Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) | **9,725.22** | 4,302.08 |
| **Total Exposure to Real Estate Sector** | **39,401.32** | 26,674.33 |

(₹ in crores)

| As at | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| **B. Exposure to Capital Market** | | |
| 1. Direct investments in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt | **999.71** | 910.98 |
| 2. Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds | **5.67** | 11.11 |
| 3. Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds are taken as primary security | **256.75** | 249.31 |
| 4. Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds i.e. where primary security other than shares/ convertible bonds/convertible debentures/units of equity-oriented mutual funds does not fully cover the advances | **7.55** | 7.82 |
| 5. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and marketmakers | **1,966.19** | 1,568.64 |
| 6. Loans sanctioned to corporates against the security of shares/ bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources | **47.44** | - |
| 7. Bridge loans to companies against expected equity flows/issues | **0.31** | - |
| 8. Underwriting commitments taken up in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds | **-** | - |
| 9. Financing to stock brokers for margin trading | **-** | - |
| 10. All exposures to Venture Capital Funds (both registered and unregistered) | **258.13** | 258.43 |
| **Total exposure to Capital Market (Total of 1 to 10)** | **3,541.75** | 3,006.29 |

2.1.12 Details of loan assets subjected to restructuring during the years ended 31 March, 2011 and 31 March, 2010 are given below:

(₹ in crores)

| | **Particulars** | | **31 March, 2011** | | |
|---|---|---|---|---|---|
| | | | **CDR Mechanism** | **SME Debt Restructuring** | **Others** |
| i) | Standard advances restructured | No. of borrowers | 2 | 4 | 117 |
| | | Amount outstanding – Restructured facility# | 96.55 | 47.22 | 259.96 |
| | | Amount outstanding – Other facilities | 2.89 | 5.47 | 15.32 |
| | | Sacrifice (diminution in the fair value) | 14.18 | 3.97 | 2.58 |

(₹ *in crores)*

| | Particulars | | 31 March, 2011 | | |
|---|---|---|---|---|---|
| | | | **CDR Mechanism** | **SME Debt Restructuring** | **Others** |
| ii) | Sub-Standard advances restructured | No. of borrowers | - | - | - |
| | | Amount outstanding – Restructured facility | - | - | - |
| | | Amount outstanding – Other facilities | - | - | - |
| | | Sacrifice (diminution in the fair value) | - | - | - |
| iii) | Doubtful advances restructured | No. of borrowers | - | - | - |
| | | Amount outstanding – Restructured facility | - | - | - |
| | | Amount outstanding – Other facilities | - | - | - |
| | | Sacrifice (diminution in the fair value) | - | - | - |
| | **Total** | No. of borrowers | **2** | **4** | **117** |
| | | Amount outstanding – Restructured facility | **96.55** | **47.22** | **259.96** |
| | | Amount outstanding – Other facilities | **2.89** | **5.47** | **15.32** |
| | | Sacrifice (diminution in the fair value) | **14.18** | **3.97** | **2.58** |

#Amount subjected to restructuring determined as on the date of approval of restructuring proposal

(₹ *in crores)*

| | Particulars | | 31 March, 2010 | | |
|---|---|---|---|---|---|
| | | | **CDR Mechanism** | **SME Debt Restructuring** | **Others** |
| i) | Standard advances restructured | No. of borrowers | 10 | 37 | 287 |
| | | Amount outstanding – Restructured facility# | 423.67 | 250.85 | 958.45 |
| | | Amount outstanding – Other facilities | 70.04 | 77.30 | 228.06 |
| | | Sacrifice (diminution in the fair value) | 53.39 | 5.33 | 8.88 |
| ii) | Sub-Standard advances restructured | No. of borrowers | - | - | - |
| | | Amount outstanding – Restructured facility | - | - | - |
| | | Amount outstanding – Other facilities | - | - | - |
| | | Sacrifice (diminution in the fair value) | - | - | - |
| iii) | Doubtful advances restructured | No. of borrowers | - | - | - |
| | | Amount outstanding – Restructured facility | - | - | - |
| | | Amount outstanding – Other facilities | - | - | - |
| | | Sacrifice (diminution in the fair value) | - | - | - |
| | **Total** | No. of borrowers | **10** | **37** | **287** |
| | | Amount outstanding – Restructured facility | **423.67** | **250.85** | **958.45** |
| | | Amount outstanding – Other facilities | **70.04** | **77.30** | **228.06** |
| | | Sacrifice (diminution in the fair value) | **53.39** | **5.33** | **8.88** |

#Amount subjected to restructuring determined as on the date of approval of restructuring proposal

2.1.13 There are no advances as on 31 March, 2011 (previous year: Nil) for which intangible securities has been taken as collateral by the Bank.

2.1.14 Details of Non-SLR investment portfolio are set out below:

i) Issuer composition as at 31 March, 2011 of non-SLR investments:

*(₹ in crores)*

| No. | Issuer | Total Amount | Extent of private placement | Extent of "below investment grade" securities | Extent of "unrated" securities | Extent of "unlisted" securities |
|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| i. | Public Sector Units | 2,107.65 | 1,081.31 | 1.00 | - | 10.00 |
| ii. | Financial Institutions | 7,158.12 | 4,946.68 | - | - | 4,114.56 |
| iii. | Banks | 4,087.16 | 1,687.67 | 10.00 | - | 3,102.52 |
| iv. | Private Corporates | 13,552.17 | 10,986.87 | 535.10 | 229.85 | 1,226.48 |
| v. | Subsidiaries/Joint Ventures | 259.55 | 259.55 | - | - | 259.55 |
| vi. | Others | 901.31 | 847.18 | - | - | 407.38 |
| vii. | Provision held towards depreciation on investments | (216.86) | | | | |
| viii. | Provision held towards non performing investments | (12.43) | | | | |
| | **Total** | **27,836.67** | **19,809.26** | **546.10** | **229.85** | **9,120.49** |

Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.

Issuer composition as at 31 March, 2010 of non-SLR investments:

*(₹ in crores)*

| No. | Issuer | Total Amount | Extent of private placement | Extent of "below investment grade" securities | Extent of "unrated" securities | Extent of "unlisted" securities |
|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| i. | Public Sector Units | 1,861.89 | 920.61 | 12.31 | - | 10.00 |
| ii. | Financial Institutions | 6,652.52 | 4,974.48 | - | - | 3,276.26 |
| iii. | Banks | 3,346.88 | 650.93 | 10.00 | - | 2,271.64 |
| iv. | Private Corporates | 9,092.60 | 7,962.98 | 1,243.75 | 786.45 | 1,229.51 |
| v. | Subsidiaries/Joint Ventures | 153.55 | 153.55 | - | - | 153.55 |
| vi. | Others | 847.57 | 771.80 | 7.00 | - | 847.57 |
| vii. | Provision held towards depreciation on investments | (159.89) | | | | |
| viii. | Provision held towards non performing investments | (16.18) | | | | |
| | **Total** | **21,778.94** | **15,434.35** | **1,273.06** | **786.45** | **7,788.53** |

Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.

ii) Non-performing non SLR investments is set out below:

*(₹ in crores)*

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| Opening balance | **22.58** | 7.29 |
| Additions during the year | **-** | 16.03 |
| Reductions during the year | **10.15** | 0.74 |
| Closing balance | **12.43** | 22.58 |
| Total provisions held | **12.43** | 16.18 |

2.1.15 Details of securities sold/purchased (in face value terms) during the years ended 31 March, 2011 and 31 March, 2010 under repos/reverse repos (excluding LAF transactions):

*Year ended 31 March, 2011* *(₹ in crores)*

| | Minimum outstanding during the year | Maximum outstanding during the year | Daily Average outstanding during the year | As at 31 March, 2011 |
|---|---|---|---|---|
| Securities sold under repos | | | | |
| i. Government Securities | - | 220.00 | 30.93 | - |
| ii. Corporate debt Securities | - | - | - | - |
| Securities purchased under reverse repos | | | | |
| i. Government Securities | - | 3,919.82 | 34.20 | - |
| ii. Corporate debt Securities | - | - | - | - |

*Year ended 31 March, 2010* *(₹ in crores)*

| | Minimum outstanding during the year | Maximum outstanding during the year | Daily Average outstanding during the year | As at 31 March, 2010 |
|---|---|---|---|---|
| Securities sold under repos | | | | |
| i. Government Securities | - | 335.00 | 27.01 | - |
| ii. Corporate debt Securities | - | - | - | - |
| Securities purchased under reverse repos | | | | |
| i. Government Securities | - | 14.94 | 0.20 | - |
| ii. Corporate debt Securities | - | - | - | - |

2.1.16 Details of financial assets sold to Securtisation/Reconstruction companies for Asset Reconstruction:

*(₹ in crores)*

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| Number of accounts* | **-** | 1 |
| Book value of loan asset securitised | **-** | 13.21 |
| Aggregate value (net of provisions) of accounts sold | **-** | - |
| Aggregate consideration | **-** | 9.00 |
| Additional consideration realised in respect of accounts transferred in earlier years | **-** | - |
| Aggregate gain/loss over net book value | **-** | 9.00 |

* Excludes accounts previously written-off

2.1.17 During the years ended 31 March, 2011 and 31 March, 2010 there were no Non-Performing Financial Assets Purchased or Sold (excluding accounts previously written off) by the Bank.

2.1.18 Details of securtisation transactions undertaken by the Bank during the year are as follows:

*(₹ in crores)*

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Number of loan accounts securtised | **3** | 7 |
| Book value of loan assets securitised | **301.66** | 2,153.80 |
| Sale consideration received for the securtised assets | **308.97** | 2,173.10 |
| Net gain/loss over net book value | **7.31** | 19.30 |
| Net gain/loss recognised in the Profit and Loss Account | **7.31** | 15.45 |

The information on securtisation activity of the Bank as an originator as at 31 March, 2011 and 31 March, 2010 is given below:

*(₹ in crores)*

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Outstanding credit enchancement (cash collateral) | **-** | - |
| Outstanding liquidity facility | **-** | - |
| Outstanding servicing liability | **-** | - |
| Outstanding investment in PTCs | **-** | 5.16 |

2.1.19 The information on concentration of deposits is given below:

*(₹ in crores)*

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Total deposits of twenty largest depositors | **34,540.54** | 23,350.11 |
| Percentage of deposits of twenty largest depositors to total deposits | **18.25** | 16.53 |

2.1.20 The information on concentration of advances is given below:

*(₹ in crores)*

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Total advances to twenty largest borrowers* | **42,170.21** | 33,767.20 |
| Percentage of advances to twenty largest borrowers to total advances of the bank | **13.63** | 13.39 |

* Advances represent credit exposure (funded and non-funded) including derivative exposure as defined by RBI

2.1.21 The information on concentration of exposure is given below:

*(₹ in crores)*

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Total exposure to twenty largest borrowers/customers* | **53,184.01** | 44,659.73 |
| Percentage of exposures to twenty largest borrowers/customers to total exposure on borrowers/customers | **15.13** | 13.32 |

* Exposure includes credit exposure (funded and non-funded), derivative exposure and investment exposure (including underwriting and similar commitments)

2.1.22 During the year, the Bank's credit exposure to single borrower was within the prudential exposure limits prescribed by RBI except in 2 cases, where the single borrower limit was exceeded upto an additional exposure of 5%, the details of which are set out below:

*(₹ in crores)*

| Name of the Borrower | Period | Original Exposure Ceiling | Limit Sanctioned | % of excess limit sanctioned over original ceiling | Exposure Ceiling as on 31 March, 2011 | Exposure as on 31 March, 2011 |
|---|---|---|---|---|---|---|
| Housing Development Finance Corporation Limited | Feb 2011 and March 2011 | 3,346.18 | 4,227.72 | 26.34 | 3,346.18 | 4,418.99# |
| LIC Housing Finance Ltd.@ | March 2011 | 3,346.18 | 3,563.85 | 6.51 | 3,346.18 | 3,130.77 |

# the excess of the limit of ₹4,227.72 crores over the original exposure ceiling was approved by the Committee of Directors. However, the excess of the exposure as on 31 March, 2011 over the limit approved by the Committee is subject to ratification of the Committee.

@ the excess of the limit of ₹3,563.85 crores over the original exposure ceiling is subject to ratification by the Committee of Directors.

During the year, the Bank's credit exposure to group borrowers was within the prudential exposure limits prescribed by RBI.

During the year ended 31 March, 2010, the Bank's credit exposure to single borrower was within the prudential exposure limits prescribed by RBI except in one case, where single borrower limit was exceeded upto an additional exposure of 5% with the approval of the Board of Directors. The details of such cases are set out below:

*(₹ in crores)*

| Name of the Borrower | Period | Original Exposure Ceiling | Limit Sanctioned | % of excess limit sanctioned over original ceiling | Exposure Ceiling as on 31 March, 2010 | Exposure as on 31 March, 2010 |
|---|---|---|---|---|---|---|
| UTI Asset Management Company Ltd. | April 2009 and May 2009 | 2,254.15 | 2,300.00 | 2.03 | 3,119.22 | 3,110.00 |

During the year ended 31 March, 2010, the Bank's credit exposure to group borrowers was within the prudential exposure limits prescribed by RBI.

2.1.23 Details of Risk Category wise Country Exposure:

*(₹ in crores)*

| **Risk Category** | **Exposure (Net) as at 31 March, 2011** | **Provision Held as at 31 March, 2011** | Exposure (Net) as at 31 March, 2010 | Provision Held as at 31 March, 2010 |
|---|---|---|---|---|
| Insignificant | **459.58** | **-** | 597.19 | - |
| Low | **9,160.68** | **4.82** | 7,489.89 | 2.37 |
| Moderate | **2,447.75** | **-** | 662.80 | - |
| High | **467.93** | **-** | 90.86 | - |
| Very High | **338.95** | **-** | 2.88 | - |
| Restricted | **-** | **-** | 0.85 | - |
| Off-Credit | **-** | **-** | - | - |
| **Total** | **12,874.89** | **4.82** | 8,844.47 | 2.37 |

2.1.24 A maturity pattern of certain items of assets and liabilities at 31 March, 2011 and 31 March, 2010 is set out below:

*Year ended 31 March, 2011* *(₹ in crores)*

| | 1 day | 2 days to 7 days | 8 days to 14 days | 15 days to 28 days | 29 days and upto 3 months | Over 3 months and upto 6 months | Over 6 months and upto 1 year | Over 1 year and upto 3 years | Over 3 years and upto 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Deposits | 1,645.41 | 7,423.76 | 4,835.59 | 7,521.08 | 23,528.61 | 17,930.69 | 37,057.27 | 26,810.34 | 11,866.64 | 50,618.41 | **189,237.80** |
| Advances | 2,874.45 | 3,635.78 | 1,003.04 | 2,440.76 | 9,587.40 | 8,162.21 | 11,815.40 | 35,236.92 | 19,459.50 | 48,192.37 | **142,407.83** |
| Investments | 844.61 | 1,794.91 | 3,247.24 | 4,609.39 | 10,350.69 | 5,319.04 | 9,335.13 | 13,416.94 | 8,181.92 | 14,891.75 | **71,991.62** |
| Borrowings | 111.49 | 981.09 | 44.59 | 1,293.42 | 4,934.34 | 2,384.52 | 2,537.64 | 3,648.10 | 2,036.46 | 8,296.23 | **26,267.88** |
| Foreign Currency Assets | 1,436.87 | 1,054.10 | 322.48 | 1,349.58 | 2,810.68 | 3,273.19 | 2,927.72 | 4,773.50 | 4,764.86 | 3,838.63 | **26,551.61** |
| Foreign Currency Liabilities | 760.22 | 1,620.46 | 252.12 | 1,967.77 | 5,284.18 | 4,358.29 | 4,506.45 | 2,552.87 | 1,992.27 | 4,215.22 | **27,509.85** |

*Year ended 31 March, 2010* *(₹ in crores)*

| | 1 day | 2 days to 7 days | 8 days to 14 days | 15 days to 28 days | 29 days and upto 3 months | Over 3 months and upto 6 months | Over 6 months and upto 1 year | Over 1 year and upto 3 years | Over 3 years and upto 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Deposits | 2,699.43 | 4,379.36 | 3,059.54 | 4,115.54 | 15,647.72 | 19,789.86 | 28,357.41 | 23,418.07 | 470.04 | 39,363.25 | **141,300.22** |
| Advances | 736.72 | 2,413.13 | 1,124.78 | 1,057.75 | 5,690.32 | 5,557.00 | 11,183.25 | 11,861.43 | 12,318.65 | 52,397.92 | **104,340.95** |
| Investments | 885.57 | 986.17 | 2,562.54 | 3,991.38 | 7,724.61 | 6,278.44 | 7,873.42 | 11,403.71 | 2,436.83 | 11,832.15 | **55,974.82** |
| Borrowings | 251.44 | 269.40 | 130.91 | 134.70 | 1,119.33 | 1,330.88 | 3,409.08 | 2,181.89 | 422.34 | 7,919.58 | **17,169.55** |
| Foreign Currency Assets | 1,487.10 | 376.06 | 117.45 | 395.58 | 2,718.83 | 2,275.25 | 2,755.24 | 3,412.69 | 2,920.96 | 2,170.50 | **18,629.66** |
| Foreign Currency Liabilities | 1,054.77 | 1,063.29 | 249.42 | 235.13 | 1,718.64 | 2,861.58 | 3,503.99 | 2,128.75 | 86.37 | 3,502.59 | **16,404.53** |

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors. Maturity profile of foreign currency assets and liabilities is excluding forward contracts.

2.1.25 Disclosure in respect of Interest Rate Swaps (IRS), Forward Rate Agreement (FRA) and Cross Currency Swaps (CCS) outstanding is set out below:

*(₹ in crores)*

| **Sr. No.** | **Items** | **As at 31 March, 2011** | As at 31 March, 2010 |
|---|---|---|---|
| i) | Notional principal of swap agreements | **164,697.20** | 131,696.28 |
| ii) | Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements | **1,444.54** | 1,335.46 |
| iii) | Collateral required by the Bank upon entering into swaps ** | **123.36** | 22.77 |

(₹ *in crores)*

| Sr. No. | Items | **As at 31 March, 2011** | As at 31 March, 2010 |
|---|---|---|---|
| iv) | Concentration of credit risk arising from the swaps | | |
| | Maximum single industry exposure with Banks (previous year with Banks) | | |
| | - Interest Rate Swaps/FRAs | **2,174.95** | 2,051.64 |
| | - Cross Currency Swaps | **401.53** | 400.46 |
| v) | Fair value of the swap book (hedging & trading) | | |
| | - Interest Rate Swaps/FRAs | **1.08** | 37.50 |
| | - Currency Swaps | **61.09** | 11.54 |

** Total cash collaterals taken from counterparties having outstanding derivative contracts

The nature and terms of the IRS as on 31 March, 2011 are set out below:

(₹ *in crores)*

| Nature | Nos. | Notional Principal | Benchmark | Terms |
|---|---|---|---|---|
| Hedging | 13 | 2,943.27 | LIBOR | Fixed receivable v/s floating payable |
| Trading | 1,338 | 63,520.00 | MIBOR | Fixed receivable v/s floating payable |
| Trading | 1,319 | 61,967.50 | MIBOR | Fixed payable v/s floating receivable |
| Trading | 118 | 4,639.50 | MIFOR | Fixed receivable v/s floating payable |
| Trading | 101 | 3,469.00 | MIFOR | Fixed payable v/s floating receivable |
| Trading | 62 | 2,621.10 | INBMK | Fixed receivable v/s floating payable |
| Trading | 73 | 4,589.00 | INBMK | Fixed payable v/s floating receivable |
| Trading | 108 | 3,575.99 | LIBOR | Fixed receivable v/s floating payable |
| Trading | 148 | 5,341.90 | LIBOR | Fixed payable v/s floating receivable |
| Trading | 1 | 150.00 | OTHERS | Fixed payable v/s fixed receivable |
| Trading | 3 | 138.24 | LIBOR | Floating payable v/s floating receivable |
| Trading | 1 | 367.91 | LIBOR | Pay Cap / receive Floor |
| Trading | 1 | 367.91 | LIBOR | Pay Floor / receive Cap |
| | **3,286** | **153,691.32** | | |

The nature and terms of the IRS as on 31 March, 2010 are set out below:

(₹ *in crores)*

| Nature | Nos. | Notional Principal | Benchmark | Terms |
|---|---|---|---|---|
| Hedging | 24 | 1,000.00 | MIBOR | Fixed payable v/s floating receivable |
| Hedging | 2 | 100.00 | MIBOR | Fixed receivable v/s floating payable |
| Hedging | 7 | 1,391.90 | LIBOR | Fixed receivable v/s floating payable |
| Trading | 1,233 | 51,720.00 | MIBOR | Fixed receivable v/s floating payable |
| Trading | 1,242 | 53,647.50 | MIBOR | Fixed payable v/s floating receivable |
| Trading | 103 | 3,045.50 | MIFOR | Fixed receivable v/s floating payable |

(₹ in crores)

| Nature | Nos. | Notional Principal | Benchmark | Terms |
|---|---|---|---|---|
| Trading | 100 | 2,789.50 | MIFOR | Fixed payable v/s floating receivable |
| Trading | 74 | 2,946.10 | INBMK | Fixed receivable v/s floating payable |
| Trading | 70 | 3,464.00 | INBMK | Fixed payable v/s floating receivable |
| Trading | 70 | 1,933.92 | LIBOR | Fixed receivable v/s floating payable |
| Trading | 73 | 2,002.35 | LIBOR | Fixed payable v/s floating receivable |
| Trading | 2 | 89.80 | LIBOR | Floating payable v/s fixed receivable |
| Trading | 1 | 150.00 | OTHERS | Fixed payable v/s fixed receivable |
| | **3,001** | **124,280.57** | | |

The nature and terms of the FRA's as on 31 March, 2011 are set out below:

(₹ in crores)

| Nature | Nos. | Notional Principal | Benchmark | Terms |
|---|---|---|---|---|
| Trading | 80 | 2,990.00 | LIBOR | Fixed receivable v/s floating payable |
| Trading | 73 | 2,840.07 | LIBOR | Fixed payable v/s floating receivable |
| | **153** | **5,830.07** | | |

The nature and terms of the FRA's as on 31 March, 2010 are set out below:

(₹ in crores)

| Nature | Nos. | Notional Principal | Benchmark | Terms |
|---|---|---|---|---|
| Trading | 26 | 1,819.98 | LIBOR | Fixed receivable v/s floating payable |
| Trading | 21 | 1,631.40 | LIBOR | Fixed payable v/s floating receivable |
| | **47** | **3,451.38** | | |

The nature and terms of the CCS as on 31 March, 2011 are set out below:

(₹ in crores)

| Nature | Nos. | Notional Principal | Benchmark | Terms |
|---|---|---|---|---|
| Trading Swaps | 22 | 1,728.23 | LIBOR | Fixed payable v/s floating receivable |
| Trading Swaps | 21 | 1,936.15 | LIBOR | Fixed receivable v/s floating payable |
| Hedging Swaps | 2 | 129.60 | LIBOR | Fixed receivable v/s floating payable |
| Hedging Swaps | 3 | 305.44 | Principal & Coupon Swap | Fixed receivable v/s fixed payable |
| Hedging Swaps | 1 | 133.79 | LIBOR | Floating receivable v/s floating payable |
| Trading Swaps | 1 | 40.14 | LIBOR/INBMK | Floating receivable v/s floating payable |
| Trading Swaps | 5 | 428.65 | Principal & Coupon Swap | Fixed payable v/s fixed receivable |
| Trading Swaps | 2 | 97.87 | Principal Only | Fixed receivable |
| Trading Swaps | 8 | 242.16 | Principal Only | Fixed payable |
| Trading Swaps | 1 | 66.89 | Principal Only | Floating receivable |
| Trading Swaps | 1 | 66.89 | Principal Only | Floating payable |
| | **67** | **5,175.81** | | |

Agreements with Banks/Financial Institutions and corporates are under approved credit lines.

The nature and terms of the CCS as on 31 March, 2010 are set out below:

*(₹ in crores)*

| Nature | Nos. | Notional Principal | Benchmark | Terms |
|---|---|---|---|---|
| Trading Swaps | 22 | 1,883.80 | LIBOR | Fixed payable v/s floating receivable |
| Trading Swaps | 12 | 1,533.87 | LIBOR | Fixed receivable v/s floating payable |
| Trading Swaps | 1 | 40.41 | LIBOR/INBMK | Floating receivable v/s floating payable |
| Trading Swaps | 1 | 67.35 | Principal Only | Fixed receivable |
| Trading Swaps | 3 | 169.51 | Principal Only | Fixed payable |
| Trading Swaps | 1 | 67.35 | Principal Only | Floating receivable |
| Trading Swaps | 1 | 67.35 | Principal Only | Floating payable |
| Hedging Swaps | 1 | 134.70 | LIBOR | Floating receivable v/s floating payable |
| | **42** | **3,964.34** | | |

Agreements with Banks/Financial Institutions and corporates are under approved credit lines.

Details of Exchange Traded Interest Rate Derivatives for the year ended 31 March, 2011 are set out below:

*(₹ in crores)*

| Sr. No. | Particulars | As at 31 March, 2011 |
|---|---|---|
| i) | **Notional principal amount of exchange traded interest rate derivatives undertaken during the year** | |
| | 90 day Euro $ Future - June 10 | **17.84** |
| | 10 Years 7% GOI Security - June 10 | **2.92** |
| | | **20.76** |
| ii) | **Notional principal amount of exchange traded interest rate derivatives outstanding as on 31 March, 2011** | |
| | 90 Day Euro $ Futures - June 11 | **4.46** |
| | | **4.46** |
| iii) | **Notional principal amount of exchange traded interest rate derivatives outstanding as on 31 March, 2011 and "not highly effective"** | **N.A.** |
| iv) | **Mark-to-market value of exchange traded interest rate derivatives outstanding as on 31 March, 2011 and "not highly effective"** | **N.A.** |

Details of Exchange Traded Interest Rate Derivatives for the year ended 31 March, 2010 are set out below:

*(₹ in crores)*

| Sr. No. | Particulars | As at 31 March, 2010 |
|---|---|---|
| i) | **Notional principal amount of exchange traded interest rate derivatives undertaken during the year** | |
| | 10 Year Long Gilt Futures - June 09 | 167.17 |
| | 10 Year Long Gilt Futures - September 09 | 190.27 |
| | 90 Day Euro $ Futures - December 09 | 53.88 |
| | 90 Day Euro $ Futures - June 09 | 116.74 |
| | 90 Day Euro $ Futures - June 10 | 35.92 |
| | 90 Day Euro $ Futures – March 10 | 53.88 |
| | 90 Day Euro $ Futures - Septemer 09 | 130.21 |

(₹ in crores)

| Sr. No. | Particulars | As at 31 March, 2010 |
|---|---|---|
| | AUST 10Y Bond Futures- June 09 | 69.98 |
| | AUST 10Y Bond Futures- September 09 | 58.45 |
| | EURO-BUND Futures - June 09 | 5,133.63 |
| | EURO-BUND Futures - September 09 | 4,984.91 |
| | EURO-SCHATZ Futures - June 09 | 495.71 |
| | EURO-SCHATZ Futures - September 09 | 350.62 |
| | JPN 10Y BOND (TSE) - June 09 | 9.61 |
| | US 10 Years Note Future - June 09 | 251.44 |
| | US 10 Years Note Future - September 09 | 325.08 |
| | 10 Years 7% GOI Security - December 09 | 69.16 |
| | 10 Years 7% GOI Security - March 10 | 36.44 |
| | 10 Years 7% GOI Security - June 10 | 14.48 |
| | | **12,547.58** |
| ii) | **Notional principal amount of exchange traded interest rate derivatives outstanding as on 31 March, 2010** | |
| | 90 Day Euro $ Futures - March 11 | 4.49 |
| | 90 Day Euro $ Futures - June 10 | 22.45 |
| | 90 Day Euro $ Futures - June 11 | 4.49 |
| | 90 Day Euro $ Futures - September 10 | 13.47 |
| | 90 Day Euro $ Futures - December 10 | 13.47 |
| | 10 years 7% GOI Security - June 10 | 2.80 |
| | | **61.17** |
| iii) | **Notional principal amount of exchange traded interest rate derivatives outstanding as on 31 March, 2010 and "not highly effective"** | **N.A.** |
| iv) | **Mark-to-market value of exchange traded interest rate derivatives outstanding as on 31 March, 2010 and "not highly effective"** | **N.A.** |

2.1.26 Disclosure on risk exposure in Derivatives

**Qualitative disclosures:**

**(a) Structure and organisation for management of risk in derivatives trading, the scope and nature of risk measurement, risk reporting and risk monitoring systems and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants:**

Derivatives are financial instruments whose characteristics are derived from an underlying asset, or from interest and exchange rates or indices. The Bank undertakes derivative transactions for Balance Sheet management and also for proprietary trading/market making whereby the Bank offers derivative products to the customers to enable them to hedge their earnings risks within the prevalent regulatory guidelines.

Proprietary trading includes Interest Rate Futures and Rupee Interest Rate Swaps under different benchmarks (viz. MIBOR, MIFOR and INBMK), Currency Futures and Currency Options for USD/INR pair (both OTC and exchange traded). The Bank also undertakes transactions in Cross Currency Swaps, Principal Only Swaps, Coupon Only Swaps, and Long Term Forex Contracts (LTFX) for hedging its Balance Sheet and also offers them to its customers. These transactions expose the Bank to various risks, primarily credit, market and operational risk. The Bank has adopted the following mechanism for managing risks arising out of the derivative transactions.

There is a functional separation between the Treasury Front Office, Risk and Treasury Back Office to undertake derivative transactions. The derivative transactions are originated by Treasury Front Office, which ensures compliance with the trade origination requirements as per the Bank's policy and the RBI guidelines. The Market Risk Group within the Bank's Risk Department independently identifies, measures and monitors the market risks associated with derivative transactions and appraises the Asset Liability Management Committee (ALCO) and the Risk Management Committee of the Board (RMC) on the compliance with the risk limits. The Treasury Back Office undertakes activities such as confirmation, settlement, ISDA documentation, accounting and other MIS reporting.

The derivative transactions are governed by the derivative policy, hedging policy and the suitability and appropriateness policy of the Bank as well as by the extant RBI guidelines. The Bank has also put in place a detailed process flow for customer derivative transactions for effective management of operational risk/ reputation risk.

Various risk limits are set up and actual exposures are monitored vis-à-vis the limits. These limits are set up taking into account market volatility, business strategy and management experience. Risk limits are in place for risk parameters viz. PV01, VaR, stop loss, Delta, Gamma and Vega. Actual positions are monitored against these limits on a daily basis and breaches, if any, are reported promptly. Risk assessment of the portfolio is undertaken periodically. The Bank ensures that the Gross PV01 (Price value of a basis point) position arising out of all non-option rupee derivative contracts are within 0.25% of net worth of the Bank as on Balance Sheet date.

Hedging transactions are undertaken by the Bank to protect the variability in the fair value or the cash flow of the underlying Balance Sheet item. These deals are accounted on an accrual basis except the swap designated with an asset/liability that is carried at market value or lower of cost or market value. In that case, the swap is marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. These transactions are tested for hedge effectiveness and in case any transaction fails the test, the same is re-designated as a trading deal with the approval of the competent authority and appropriate accounting treatment is followed.

**(b) Accounting policy for recording hedge and non-hedge transactions, recognition of income, premiums and discounts, valuation of outstanding contracts**

The Hedging Policy approved by the Risk Management Committee of the Board (RMC) governs the use of derivatives for hedging purpose. Subject to the prevailing RBI guidelines, the Bank deals in derivatives for hedging fixed rate and floating rate coupon or foreign currency assets/liabilities. Transactions for hedging and market making purposes are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Hedge derivative transactions are accounted for in accordance with the hedge accounting principles. Derivatives for market making purpose are marked to market and the resulting gain/loss is recorded in the Profit and Loss Account. The premium on option contracts is accounted for as per Foreign Exchange Dealers' Association of India (FEDAI) guidelines. Derivative transactions are covered under International Swaps and Derivatives Association (ISDA) master agreements with respective counterparties. The exposure on account of derivative transactions is computed as per the RBI guidelines and is marked against the credit limits approved for the respective counterparties.

**(c) Provisioning, collateral and credit risk mitigation**

Derivative transactions comprise of swaps and options which are disclosed as contingent liabilities. The swaps/ options are segregated as trading or hedging. Trading swaps/options 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 or other liabilities respectively. Hedged swaps are accounted for as per the RBI guidelines. Pursuant to the RBI guidelines, any receivables under derivatives contracts, which remain overdue for more than 90 days, are reversed through the Profit and Loss Account and are held in a separate suspense account.

Collateral requirements for derivative transactions are laid down as part of credit sanction terms on a case by case basis. Such collateral requirements are determined, based on usual credit appraisal process. The Bank retains the right to terminate transactions as a risk mitigation measure in certain cases.

The credit risk in respect of customer derivative transactions is sought to be mitigated through a laid down policy on sanction of Loan Equivalent Risk (LER) limits, monitoring mechanism for LER limits and trigger events for escalation/margin calls/termination.

**Quantitative Disclosure:**

*(₹ in crores)*

| | | As at 31 March, 2011 | | |
|---|---|---|---|---|
| | | Currency Derivatives | | Interest rate Derivatives |
| Sr. No. | Particulars | CCS | Options | |
| 1 | **Derivatives (Notional Principal Amount)** | | | |
| | a) For hedging | 568.82 | - | 2,943.27 |
| | b) For trading | 4,606.99 | 13,130.44 | 156,578.12 |
| 2 | **Marked to Market Positions#** | | | |
| | a) Asset (+) | 35.82 | - | - |
| | b) Liability (-) | - | (4.62) | (74.03) |
| 3 | **Credit Exposure@** | 760.80 | 285.87 | 2,541.95 |
| 4 | **Likely impact of one percentage change in interest rate (100*PV01) (as at 31 March, 2011)** | | | |
| | a) on hedging derivatives | 0.27 | - | 135.82 |
| | b) on trading derivatives | 0.38 | - | 38.56 |
| 5 | **Maximum and Minimum of 100*PV01 observed during the year** | | | |
| | a) on hedging | | | |
| | I) Minimum | 0.06 | - | 75.82 |
| | II) Maximum | 1.83 | - | 178.55 |
| | b) on trading | | | |
| | I) Minimum | 0.08 | - | 30.31 |
| | II) Maximum | 0.92 | - | 137.59 |

# Only on trading derivatives and represents net position

@ Includes accrued interest

(₹ in crores)

| | | As at 31 March, 2010 | | |
|---|---|---|---|---|
| | | Currency Derivatives | | Interest rate Derivatives |
| **Sr. No.** | **Particulars** | **CCS** | **Options** | |
| 1 | **Derivatives (Notional Principal Amount)** | | | |
| | a) For hedging | 134.70 | - | 2,491.90 |
| | b) For trading | 3,829.64 | 5,616.26 | 125,240.04 |
| 2 | **Marked to Market Positions#** | | | |
| | a) Asset (+) | 16.85 | 15.74 | - |
| | b) Liability (-) | - | - | (1.03) |
| 3 | **Credit Exposure@** | 658.80 | 258.23 | 2,286.34 |
| 4 | **Likely impact of one percentage change in interest rate (100*PV01) (as at 31 March, 2010)** | | | |
| | a) on hedging derivatives | 0.01 | - | 54.56 |
| | b) on trading derivatives | 0.57 | - | 73.01 |
| 5 | **Maximum and Minimum of 100*PV01 observed during the year** | | | |
| | a) on hedging | | | |
| | I) Minimum | 0.01 | - | 32.17 |
| | II) Maximum | 1.60 | - | 61.62 |
| | b) on trading | | | |
| | I) Minimum | 0.57 | - | 6.23 |
| | II) Maximum | 1.86 | - | 74.13 |

# Only on trading derivatives and represents net position

@ Includes accrued interest

The notional principal amount of forex contracts classified as hedging and funding outstanding at 31 March, 2011 amounted to ₹5,735.03 crores (previous year ₹2,359.59 crores) and ₹1,131.25 crores (previous year ₹2,432.42 crores) respectively. The notional principal amount of forex contracts classified as trading outstanding at 31 March, 2011 amounted to ₹160,404.84 crores (previous year ₹99,041.90 crores).

The net overnight open position at 31 March, 2011 is ₹26.39 crores (previous year ₹152.03 crores).

2.1.27 No penalty/strictures have been imposed on the Bank during the year or in the previous year by the Reserve Bank of India.

2.1.28 Disclosure of Customer Complaints

| | | **31 March, 2011** | 31 March, 2010 |
|---|---|---|---|
| a. | No. of complaints pending at the beginning of the year | **80** | 70 |
| b. | No. of complaints received during the year | **12,766** | 4,581 |
| c. | No. of complaints redressed during the year | **12,830** | 4,571 |
| d. | No. of complaints pending at the end of the year | **16** | 80 |

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

2.1.29 Disclosure of Awards passed by the Banking Ombudsman

| | | 31 March, 2011 | 31 March, 2010 |
|---|---|---|---|
| a. | No. of unimplemented awards at the beginning of the year | **-** | - |
| b. | No. of awards passed by the Banking Ombudsman during the year | **2** | 8 |
| c. | No. of awards implemented during the year | **2** | 8 |
| d. | No. of unimplemented awards at the end of the year | **-** | - |

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

2.1.30 Draw Down from Reserves

During the year, the Bank has made a draw down out of the investment reserve account towards depreciation in investments in AFS and HFT categories in terms of the RBI guidelines.

2.1.31 Letter of Comfort

The Bank has not issued any Letter of Comfort (LoC) on behalf of its subsidiaries.

2.1.32 Bancassurance Business

Details of income earned from bancassurance business are as under:

*(₹ in crores)*

| Sr. No | Nature of Income | 31 March, 2011 | 31 March, 2010 |
|---|---|---|---|
| 1. | For selling life insurance policies | **133.27** | 94.89 |
| 2. | For selling non-life insurance policies | **23.04** | 30.20 |
| 3. | For selling mutual fund products | **44.34** | 40.12 |
| 4. | Others (selling of online trading accounts, gold coins, wealth advisory, RBI and other bonds) | **28.72** | 19.48 |
| | **Total** | **229.37** | 184.69 |

2.1.33 The Bank has not sponsored any special purpose vehicle which is required to be consolidated in the consolidated financial statements as per accounting norms.

2.1.34 Amount of total assets, non-performing assets and revenue of overseas branches is given below:

*(₹ in crores)*

| Particulars | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| Total assets | **22,244.63** | 13,921.42 |
| Total NPAs | **-** | - |
| Total revenue | **1,108.07** | 604.36 |

### *2.2 Other disclosures*

2.2.1 During the year, the Bank has appropriated ₹4.76 crores (previous year ₹223.92 crores), net of taxes and transfer to statutory reserve to Capital Reserve, being the gain on sale of HTM investments in accordance with the RBI guidelines.

2.2.2 Earnings Per Share ('EPS')

The details of EPS computation is set out below:

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| Basic and Diluted earnings for the year (Net profit after tax) (₹ in crores) | **3,388.49** | 2,514.53 |
| Basic weighted average no. of shares (in crores) | **40.85** | 38.23 |
| Add: Equity shares for no consideration arising on grant of stock options under ESOP (in crores) | **0.67** | 0.87 |
| Diluted weighted average no. of shares (in crores) | **41.52** | 39.10 |
| Basic EPS (₹) | **82.95** | 65.78 |
| Diluted EPS (₹) | **81.61** | 64.31 |
| Nominal value of shares (₹) | **10.00** | 10.00 |

Dilution of equity is on account of 6,721,352 (previous year 8,708,581) stock options.

2.2.3 Employee Stock Options Scheme ('the Scheme')

In February 2001, pursuant to the approval of the shareholders at the Extraordinary General Meeting, the Bank approved an Employee Stock Option Scheme. Under the Scheme, the Bank is authorised to issue upto 13,000,000 equity shares to eligible employees. Eligible employees are granted an option to purchase shares subject to vesting conditions. The options vest in a graded manner over 3 years. The options can be exercised within 3 years from the date of the vesting. Further, over the period June 2004 to June 2010, pursuant to the approval of the shareholders at Annual General Meetings, the Bank approved an ESOP scheme for additional options aggregating 27,517,400. Within the overall ceiling of 40,517,400 stock options approved for grant by the shareholders as stated earlier, the Bank is also authorised to issue options to employees and directors of the subsidiary companies.

33,707,690 options have been granted under the Scheme till the previous year ended 31 March, 2010.

On 20 April, 2010, the Bank granted 2,723,500 stock options (each option representing entitlement to one equity share of the Bank) to its employees and the MD & CEO. These options can be exercised at a price of ₹1,159.30 per option. Further, on 7 and 8 June, 2010, the Bank also granted 10,000 and 181,700 stock options (each option representing entitlement to one equity share of the Bank) to an employee (on joining the Bank) and employees of Axis Asset Management Company Limited, a subsidiary of the Bank respectively. These options can be exercised at a price of ₹1,245.45 and ₹1,214.80 per option respectively.

Stock option activity under the Scheme for the year ended 31 March, 2011 is set out below:

| | **Options outstanding** | **Range of exercise prices (₹)** | **Weighted average exercise price (₹)** | **Weighted average remaining contractual life (Years)** |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 13,897,518 | 97.62 to 907.25 | 514.27 | 2.87 |
| Granted during the year | 2,915,200 | 1,159.30 to 1,245.45 | 1,163.05 | - |
| Forfeited during the year | (295,348) | 232.10 to 1,214.80 | 658.88 | - |
| Expired during the year | (23,128) | 97.62 to 319.00 | 264.72 | - |
| Exercised during the year | (5,371,724) | 97.62 to 824.40 | 448.22 | - |
| Outstanding at the end of the year | **11,122,518** | **232.10 to 1,245.45** | **712.90** | **2.86** |
| Exercisable at the end of the year | 4,479,300 | 232.10 to 907.25 | 525.53 | 1.49 |

The weighted average share price in respect of options exercised during the year was ₹1,324.47

Stock option activity under the Scheme for the year ended 31 March, 2010 is set out below:

| | Options outstanding | Range of exercise prices (₹) | Weighted average exercise price (₹) | Weighted average remaining contractual life (Years) |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 13,852,974 | 39.77 to 824.40 | 459.87 | 2.95 |
| Granted during the year | 4,413,990 | 503.25 to 907.25 | 513.15 | - |
| Forfeited during the year | (252,757) | 97.62 to 824.40 | 356.51 | - |
| Expired during the year | (24,320) | 39.77 to 232.10 | 212.48 | - |
| Exercised during the year | (4,092,369) | 39.77 to 824.40 | 330.99 | - |
| Outstanding at the end of the year | **13,897,518** | **97.62 to 907.25** | **514.27** | **2.87** |
| Exercisable at the end of the year | 5,599,878 | 97.62 to 824.40 | 434.75 | 1.58 |

The weighted average share price in respect of options exercised during the year was ₹964.16

*Fair Value Methodology*

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

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| **Net Profit (as reported) *(₹ in crores)*** | **3,388.49** | 2,514.53 |
| Add: Stock based employee compensation expense included in net income *(₹ in crores)* | **-** | - |
| Less: Stock based employee compensation expense determined under fair value based method (proforma) *(₹ in crores)* | **(107.97)** | (92.75) |
| **Net Profit (Proforma) *(₹ in crores)*** | **3,280.52** | 2,421.78 |
| **Earnings per share: Basic *(in ₹)*** | | |
| As reported | **82.95** | 65.78 |
| Proforma | **80.31** | 63.35 |
| **Earnings per share: Diluted *(in ₹)*** | | |
| As reported | **81.61** | 64.31 |
| Proforma | **79.01** | 61.94 |

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

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| Dividend yield | **1.24% to 1.32%** | 1.32% |
| Expected life | **2-4 years** | 2-4 years |
| Risk free interest rate | **5.98% to 7.17%** | 3.87% to 6.80% |
| Volatility | **54.72% to 61.66%** | 54.00% to 67.11% |

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

The weighted average fair value of options granted during the year ended 31 March, 2011 is ₹485.98 (previous year ₹205.72).

2.2.4 Dividend paid on shares issued on exercise of stock options

The Bank may allot shares between the Balance Sheet date and record date for the declaration of dividend pursuant to the exercise of any employee stock options. These shares will be eligible for full dividend for the year ended 31 March, 2011, if approved at the ensuing Annual General Meeting. Dividend relating to these shares has not been recorded in the current year.

Appropriation to proposed dividend during the year ended 31 March, 2011 includes dividend of ₹2.47 crores (previous year ₹0.51 crores) paid pursuant to exercise of 1,766,860 employee stock options after the previous year end and record date for declaration of dividend for the year ended 31 March, 2010.

2.2.5 Segmental reporting

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

| **Segment** | **Principal Activities** |
|---|---|
| Treasury | Treasury operations include investments in sovereign and corporate debt, equity and mutual funds, trading operations, derivative trading and foreign exchange operations on the proprietary account and for customers and central funding. |
| Retail Banking | Constitutes lending to individuals/small businesses subject to the orientation, product and granularity criterion and also includes low value individual exposures not exceeding the threshold limit of ₹5 crores as defined by RBI. Retail Banking activities also include liability products, card services, internet banking, ATM services, depository, financial advisory services and NRI services. |
| Corporate/Wholesale Banking | Includes corporate relationships not included under Retail Banking, corporate advisory services, placements and syndication, management of public issue, project appraisals, capital market related services and cash management services. |
| Other Banking Business | Includes para banking activities* like third party product distribution and other banking transactions not covered under any of the above three segments. |

* Regrouped from retail banking segment in the previous year

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

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

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

Segmental results are set out below:

*(₹ in crores)*

| | 31 March, 2011 | | | | |
|---|---|---|---|---|---|
| | **Treasury** | **Corporate/ Wholesale Banking** | **Retail Banking** | **Other Banking Business** | **Total** |
| **Segment Revenue** | | | | | |
| Gross interest income (external customers) | 4,751.66 | 7,082.97 | 3,320.18 | - | 15,154.81 |
| Other income | 1,123.26 | 2,291.58 | 994.89 | 222.40 | 4,632.13 |
| **Total income as per Profit and Loss Account** | **5,874.92** | **9,374.55** | **4,315.07** | **222.40** | **19,786.94** |
| Add/(less) inter segment interest income | 19,015.50 | 2,378.68 | 4,541.98 | 0.48 | 25,936.64 |
| **Total segment revenue** | **24,890.42** | **11,753.23** | **8,857.05** | **222.88** | **45,723.58** |
| Less: Interest expense (external customers) | 5,746.21 | 147.61 | 2,696.37 | 1.63 | 8,591.82 |
| Less: Inter segment interest expenses | 17,832.24 | 5,554.07 | 2,550.33 | - | 25,936.64 |
| Less: Operating expenses | 395.60 | 1,440.48 | 2,846.15 | 97.20 | 4,779.43 |
| **Operating profit** | **916.37** | **4,611.07** | **764.20** | **124.05** | **6,415.69** |
| Less: Provision for non performing assets/Others | 140.53 | 725.89 | 412.86 | 0.75 | 1,280.03 |
| **Segment result** | **775.84** | **3,885.18** | **351.34** | **123.30** | **5,135.66** |
| Less: Provision for Tax | | | | | 1,747.17 |
| Extraordinary profit/loss | | | | | - |
| **Net Profit** | | | | | **3,388.49** |
| Segment assets | 94,475.32 | 104,302.26 | 42,896.68 | 176.07 | 241,850.33 |
| Unallocated assets | | | | | 863.04 |
| **Total assets** | | | | | **242,713.37** |
| Segment liabilities | 112,125.30 | 46,462.90 | 64,362.03 | 24.31 | 222,974.54 |
| Unallocated liabilities | | | | | 740.00 |
| **Total liabilities** | | | | | **223,714.54** |
| **Net assets** | **(17,649.98)** | **57,839.36** | **(21,465.35)** | **151.76** | **18,998.83** |

(₹ *in crores*)

| | 31 March, 2010 | | | | |
|---|---|---|---|---|---|
| | **Treasury** | **Corporate/ Wholesale Banking** | **Retail Banking** | **Other Banking Business** | **Total** |
| **Segment Revenue** | | | | | |
| Gross interest income (external customers) | 3,651.30 | 4,966.70 | 3,019.81 | 0.21 | 11,638.02 |
| Other income | 1,299.97 | 1,545.98 | 917.94 | 181.89 | 3,945.78 |
| **Total income as per Profit and Loss Account** | **4,951.27** | **6,512.68** | **3,937.75** | **182.10** | **15,583.80** |
| Add/(less) inter segment interest income | 13,864.92 | 1,401.42 | 3,831.19 | 0.19 | 19,097.72 |
| **Total segment revenue** | **18,816.19** | **7,914.10** | **7,768.94** | **182.29** | **34,681.52** |
| Less: Interest expense (external customers) | 4,228.22 | - | 2,404.35 | 0.96 | 6,633.53 |
| Less: Inter segment interest expenses | 13,271.39 | 3,976.06 | 1,850.27 | - | 19,097.72 |
| Less: Operating expenses | 296.27 | 921.75 | 2,409.23 | 82.47 | 3,709.72 |
| **Operating profit** | **1,020.31** | **3,016.29** | **1,105.09** | **98.86** | **5,240.55** |
| Less: Provision for non performing assets/Others | (4.15) | 626.09 | 766.90 | 0.35 | 1,389.19 |
| **Segment result** | **1,024.46** | **2,390.20** | **338.19** | **98.51** | **3,851.36** |
| Less: Provision for Tax | | | | | 1,336.83 |
| Extraordinary profit/loss | | | | | - |
| **Net Profit** | | | | | **2,514.53** |
| Segment assets | 72,302.52 | 68,816.10 | 38,842.95 | 3.39 | 179,964.96 |
| Unallocated assets | | | | | 682.89 |
| **Total assets** | | | | | **180,647.85** |
| Segment liabilities | 71,959.92 | 35,678.15 | 56,331.68 | 2.92 | 163,972.67 |
| Unallocated liabilities | | | | | 630.73 |
| **Total liabilities** | | | | | **164,603.40** |
| **Net assets** | **342.60** | **33,137.95** | **(17,488.73)** | **0.47** | **16,044.45** |

Geographic Segments

(₹ *in crores*)

| | **Domestic** | | **International** | | **Total** | |
|---|---|---|---|---|---|---|
| | **31 March, 2011** | 31 March, 2010 | **31 March, 2011** | 31 March, 2010 | **31 March, 2011** | 31 March, 2010 |
| Revenue | **18,678.87** | 14,979.44 | **1,108.07** | 604.36 | **19,786.94** | 15,583.80 |
| Assets | **220,468.74** | 166,726.43 | **22,244.63** | 13,921.42 | **242,713.37** | 180,647.85 |

2.2.6 Related party disclosure

The related parties of the Bank are broadly classified as:

a) *Promoters*

The Bank has identified the following entities as its Promoters.

- Administrator of the Specified Undertaking of the Unit Trust of India (UTI-1)
- Life Insurance Corporation of India (LIC)
- General Insurance Corporation and four Government-owned general insurance companies - New India Assurance Co. Ltd., National Insurance Co. Ltd., United India Insurance Co. Ltd. and The Oriental Insurance Co. Ltd.

b) *Key Management Personnel*

- Mrs. Shikha Sharma (Managing Director & Chief Executive Officer)
- Mr. M. M. Agrawal (Erstwhile Deputy Managing Director) upto 31 August, 2010
- Mr. Sisir Kumar Chakrabarti (Deputy Managing Director) with effect from 27 September, 2010

c) *Relatives of Key Management Personnel*

Mr. Sanjaya Sharma, Mrs. Usha Bharadwaj, Mr. Tilak Sharma, Ms. Tvisha Sharma, Dr. Sanjiv Bharadwaj, Dr. Prashant Bharadwaj, Dr. Brevis Bharadwaj, Dr. Reena Bharadwaj, Mrs. Bharti Agrawal, Mr. Vedprakash Agrawal, Mrs. Gayatri Devi Agrawal, Mr. Amit M. Agrawal, Mrs. Rinki Agrawal, Master Kaustubh Agrawal, Ms. Prashasti Agrawal, Mr. Anand Agrawal, Mr. Praveen Agrawal, Mrs. Rekha Agrawal, Mrs. Renu Agrawal, Mrs. Meenu Agrawal, Mrs. Swapna Chakraborty, Mrs. Shikha Bhattacharya, Ms. Shila Chakraborty, Mr. Hirendra Nath Chakraborty, Mr. Rajat Chakraborty, Mrs. Devikalpa Chakraborty (Kundu), Master Ahan Chakraborty, Mr. Nabakumar Chakraborty, Mr. Prabir Chakraborty, Mrs. Minati Chakraborty, Mrs. Krishna Chakraborty, Mrs. Sipra Chakraborty, Mr. AsimKumar Chakraborty, Mr. Arunabha Bhattacharya

d) *Subsidiary Companies*

- Axis Securities and Sales Limited
- Axis Private Equity Limited
- Axis Trustee Services Limited
- Axis Asset Management Company Limited
- Axis Mutual Fund Trustee Limited
- Axis U.K. Limited

e) *Associate*

- Bussan Auto Finance India Private Limited

  The above investment does not fall within the definition of a Joint Venture as per AS 27, Financial Reporting of Interest in Joint Ventures, notified under the Companies (Accounting Standards) Rules, 2006, and the said accounting standard is thus not applicable. However, pursuant to RBI guidelines, the Bank has classified the same as investment in joint ventures in the Balance Sheet. Such investment has been accounted as an Associate from the current year in line with AS 23, Accounting for Investment in Associates in Consolidated Financial Statements notified under the Companies (Accounting Standards) Rules, 2006. Based on RBI guidelines, details of transactions with Associates are not disclosed since there is only one entity/party in this category.

The details of transactions of the Bank with its related parties during the year ended 31 March, 2011 are given below:

*(₹ in crores)*

| Items/Related Party | Promoters | Key Management Personnel | Relatives of Key Management Personnel | Subsidiaries | Total |
|---|---|---|---|---|---|
| Dividend Paid | 184.65 | 0.03 | - | - | **184.68** |
| Dividend Received | - | - | - | 0.75 | **0.75** |
| Interest Paid | 389.65 | 0.07 | 0.04 | 3.23 | **392.99** |
| Interest Received | 0.22 | 0.02 | - | 0.01 | **0.25** |
| Investment of the Bank | - | - | - | 106.00 | **106.00** |
| Investment of Related Parties in the Bank | - | 2.28 | - | - | **2.28** |
| Investment in Subordinated Debt/Hybrid Capital of the Bank | - | - | - | - | **-** |
| Redemption of Subordinated Debt | - | - | - | - | **-** |
| Purchase of investments | 10.24 | - | - | - | **10.24** |
| Sale of Investments | 563.21 | - | - | - | **563.21** |
| Management Contracts and Other reimbursements | - | 5.46* | - | 10.34 | **15.80** |
| Purchase of Fixed Assets | - | - | - | - | **-** |
| Non-funded commitments | 0.01 | - | - | - | **0.01** |
| Advance granted | - | - | - | - | **-** |
| Advance repaid | - | 0.12 | - | - | **0.12** |
| Sale of fixed assets | - | - | - | - | **-** |
| Receiving of Services | 45.40 | - | - | 105.33 | **150.73** |
| Rendering of Services | 2.51 | - | - | 10.88 | **13.39** |
| Other Reimbursements to Related Parties | 0.15 | - | - | 0.54 | **0.69** |

*includes ₹0.70 crore subject to approval of shareholders

The balances payable to/receivable from the related parties of the Bank as on 31 March, 2011 are given below:

*(₹ in crores)*

| Items/Related Party | Promoters | Key Management Personnel | Relatives of Key Management Personnel | Subsidiaries | Total |
|---|---|---|---|---|---|
| Borrowings from the Bank | - | - | - | - | **-** |
| Deposits with the Bank | 4,716.08 | 0.23 | 0.23 | 71.37 | **4,787.91** |
| Placement of Deposits | 0.16 | - | - | - | **0.16** |
| Advances | 43.00 | 0.27 | - | - | **43.27** |
| Investment of the Bank | - | - | - | 220.55 | **220.55** |
| Investment of Related Parties in the Bank | 152.78 | 0.04 | - | - | **152.82** |
| Repo Borrowings | - | - | - | - | **-** |
| Non-funded commitments | 3.01 | - | - | - | **3.01** |

(₹ in crores)

| Items/Related Party | Promoters | Key Management Personnel | Relatives of Key Management Personnel | Subsidiaries | Total |
|---|---|---|---|---|---|
| Investment in Subordinated Debt/Hybrid Capital of the Bank | 2,825.00 | - | - | - | **2,825.00** |
| Advance for Rendering of Services | - | - | - | - | **-** |
| Leasing/HP arrangements availed | - | - | - | - | **-** |
| Leasing/HP arrangements provided | - | - | - | - | **-** |
| Other Receivables | - | - | - | 0.57 | **0.57** |
| Other Payables | - | - | - | 14.27 | **14.27** |

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March, 2011 are given below:

(₹ in crores)

| Items/Related Party | Promoters | Key Management Personnel | Relatives of Key Management Personnel | Subsidiaries | Total |
|---|---|---|---|---|---|
| Borrowings from the Bank | - | - | - | - | **-** |
| Deposits with the Bank | 4,716.09 | 3.94 | 4.96 | 81.85 | **4,806.84** |
| Placement of Deposits | 0.16 | - | - | - | **0.16** |
| Advances | 132.47 | 0.39 | - | 0.31 | **133.17** |
| Investment of the Bank | - | - | - | 220.55 | **220.55** |
| Investment of Related Parties in the Bank | 156.15 | 0.04 | - | - | **156.19** |
| Repo Borrowing | - | - | - | - | **-** |
| Investment in Subordinated Debt/Hybrid Capital of the Bank | 2,825.00 | - | - | - | **2,825.00** |
| Advance for Rendering of Services | - | - | - | - | **-** |
| Leasing/HP arrangements availed | - | - | - | - | **-** |
| Leasing/HP arrangements provided | - | - | - | - | **-** |
| Other Receivables | - | - | - | 7.19 | **7.19** |
| Other Payables | - | - | - | 16.25 | **16.25** |
| Non-funded commitments | 39.00 | - | - | - | **39.00** |

The details of transactions of the Bank with its related parties during the year ended 31 March, 2010 are given below:

(₹ in crores)

| Items/Related Party | Promoters | Key Management Personnel | Relatives of Key Management Personnel | Subsidiaries | Total |
|---|---|---|---|---|---|
| Dividend Paid | 151.97 | - | - | - | **151.97** |
| Dividend Received | - | - | - | 0.14 | **0.14** |
| Interest Paid | 246.89 | 0.02 | 0.01 | 0.90 | **247.82** |
| Interest Received | - | 0.01 | - | - | **0.01** |

(₹ in crores)

| Items/Related Party | Promoters | Key Management Personnel | Relatives of Key Management Personnel | Subsidiaries | Total |
|---|---|---|---|---|---|
| Investment of the Bank | - | - | - | 55.95 | **55.95** |
| Investment of Related Parties in the Bank | 360.56 | - | - | - | **360.56** |
| Investment in Subordinated Debt/Hybrid Capital of the Bank | 1,055.00 | - | - | - | **1,055.00** |
| Redemption of Subordinated Debt | 5.00 | - | - | - | **5.00** |
| Sale of Investments | 537.48 | - | - | - | **537.48** |
| Management Contracts and Other reimbursements | 1.82 | 2.62 | - | 3.15 | **7.59** |
| Purchase of Fixed Assets | - | - | - | 0.10 | **0.10** |
| Non-funded commitments | 0.05 | - | - | - | **0.05** |
| Advance granted | - | - | - | 0.09 | **0.09** |
| Advance repaid | - | - | - | 0.09 | **0.09** |
| Sale of fixed assets | - | - | - | - | **-** |
| Receiving of Services | 16.11 | - | - | 94.25 | **110.36** |
| Rendering of Services | 1.92 | - | - | 7.74 | **9.66** |
| Other Reimbursements to Related Parties | - | - | - | - | **-** |

The balances payable to/receivable from the related parties of the Bank as on 31 March, 2010 are given below:

(₹ in crores)

| Items/Related Party | Promoters | Key Management Personnel | Relatives of Key Management Personnel | Subsidiaries | Total |
|---|---|---|---|---|---|
| Borrowings from the Bank | - | - | - | - | **-** |
| Deposits with the Bank | 3,662.04 | 1.72 | 0.64 | 21.56 | **3,685.96** |
| Placement of Deposits | 0.16 | - | - | - | **0.16** |
| Advances | 50.17 | 0.39 | - | - | **50.56** |
| Investment of the Bank | - | - | - | 114.55 | **114.55** |
| Investment of Related Parties in the Bank | 156.15 | 0.02 | - | - | **156.17** |
| Repo Borrowings | - | - | - | - | **-** |
| Non-funded commitments | 39.00 | - | - | - | **39.00** |
| Investment in Subordinated Debt/Hybrid Capital of the Bank | 2,815.00 | - | - | - | **2,815.00** |
| Advance for Rendering of Services | - | - | - | - | **-** |
| Leasing/HP arrangements availed | - | - | - | - | **-** |
| Leasing/HP arrangements provided | - | - | - | - | **-** |
| Other Receivables | - | - | - | 7.19 | **7.19** |
| Other Payables | - | - | - | 7.97 | **7.97** |

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March, 2010 are given below:

*(₹ in crores)*

| Items/Related Party | Promoters | Key Management Personnel | Relatives of Key Management Personnel | Subsidiaries | Total |
|---|---|---|---|---|---|
| Borrowings from the Bank | - | - | - | - | **-** |
| Deposits with the Bank | 3,662.04 | 10.43 | 0.64 | 46.62 | **3,719.73** |
| Placement of Deposits | 0.16 | - | - | - | **0.16** |
| Advances | 59.36 | 0.40 | - | 0.07 | **59.83** |
| Investment of the Bank | - | - | - | 114.55 | **114.55** |
| Investment of Related Parties in the Bank | 156.64 | 0.13 | - | - | **156.77** |
| Repo Borrowing | - | - | - | - | **-** |
| Non-funded commitments | 39.05 | - | - | - | **39.05** |
| Investment in Subordinated Debt/Hybrid Capital of the Bank | 2,815.00 | - | - | - | **2,815.00** |
| Advance for Rendering of Services | - | - | - | - | **-** |
| Leasing/HP arrangements availed | - | - | - | - | **-** |
| Leasing/HP Arrangements provided | - | - | - | - | **-** |
| Other Receivables | - | - | - | 7.19 | **7.19** |
| Other Payables | - | - | - | 15.01 | **15.01** |

2.2.7 Leases

*Disclosure in respect of assets given on operating lease*

The Bank has not given any assets on operating lease.

*Disclosure in respect of assets taken on operating lease*

Operating lease comprises leasing of office premises/ATMs, staff quarters, electronic data capturing machines and IT equipment.

*(₹ in crores)*

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Future lease rentals payable as at the end of the year: | | |
| - Not later than one year | **435.35** | 405.97 |
| - Later than one year and not later than five years | **1,222.13** | 1,164.36 |
| - Later than five years | **671.10** | 718.94 |
| Total of minimum lease payments recognised in the Profit and Loss Account for the year | **560.07** | 412.99 |
| Total of future minimum sub-lease payments expected to be received under non-cancellable subleases | **1.21** | 1.15 |
| Sub-lease payments recognised in the Profit and Loss Account for the year | **0.91** | 0.61 |

The Bank has sub-leased certain of its properties taken on lease.

There are no provisions relating to contingent rent.

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

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

2.2.8 Other Fixed Assets (including furniture & fixtures)

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

*(₹ in crores)*

| Particulars | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| At cost at the beginning of the year | **266.73** | 220.20 |
| Additions during the year | **65.23** | 47.11 |
| Deductions during the year | **(1.68)** | (0.58) |
| Accumulated depreciation as at 31 March | **(208.38)** | (162.21) |
| Closing balance as at 31 March | **121.90** | 104.52 |
| Depreciation charge for the year | **46.87** | 37.26 |

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

*(₹ in crores)*

| As at | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| Deferred tax assets on account of provisions for doubtful debts | **574.23** | 421.52 |
| Deferred tax assets on account of amortisation of HTM investments | **164.04** | 147.83 |
| Deferred tax assets on account of provision for employee benefits | **70.66** | 47.79 |
| Deferred tax liability on account of depreciation on fixed assets | **(32.67)** | (32.68) |
| Deferred tax assets on account of other contingencies | **13.37** | - |
| Other deferred tax assets | **27.22** | 26.87 |
| Net deferred tax asset | **816.85** | 611.33 |

2.2.10 Employee Benefits

**Provident Fund**

The contribution to the employee's provident fund amounted to ₹41.83 crores (previous year ₹37.10 crores) for the year.

The rules of the Bank's Provident Fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Bank. Having regard to the assets of the Fund and the return on the investments, the Bank does not expect any deficiency in the foreseeable future. There has also been no such deficiency since the inception of the Fund.

**Superannuation**

The Bank contributed ₹10.17 crores (previous year ₹9.67 crores) to the employees' superannuation plan for the year.

**Leave Encashment**

The Bank charged an amount of ₹70.65 crores (previous year ₹36.52 crores) towards leave encashment for the year.

**Gratuity**

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

Profit and Loss Account

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

*(₹ in crores)*

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| Current Service Cost | **9.03** | 8.67 |
| Interest on Defined Benefit Obligation | **3.85** | 2.93 |
| Expected Return on Plan Assets | **(3.34)** | (2.58) |
| Net Actuarial Losses/(Gains) recognised in the year | **0.67** | (4.11) |
| Past Service Cost | **8.75** | - |
| **Total included in "Employee Benefit Expense"** | **18.96** | 4.91 |
| Actual Return on Plan Assets | **2.57** | 3.04 |

Balance Sheet

Details of provision for gratuity

*(₹ in crores)*

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| Present Value of Funded Obligations | **60.65** | 42.56 |
| Fair Value of Plan Assets | **(63.43)** | (43.97) |
| **Net Liability** | **(2.78)** | (1.41) |
| **Amounts in Balance Sheet** | | |
| Liabilities | **-** | - |
| Assets | **2.78** | 1.41 |
| **Net Asset** | **(2.78)** | (1.41) |

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

*(₹ in crores)*

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| **Change in Defined Benefit Obligation** | | |
| **Opening Defined Benefit Obligation** | **42.56** | 36.37 |
| Current Service Cost | **9.03** | 8.67 |
| Interest Cost | **3.85** | 2.93 |
| Actuarial Losses/(Gains) | **(0.11)** | (3.65) |
| Past service cost | **8.75** | - |
| Benefits Paid | **(3.43)** | (1.76) |
| **Closing Defined Benefit Obligation** | **60.65** | 42.56 |

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

*(₹ in crores)*

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| **Change in the Fair Value of Assets** | | |
| **Opening Fair Value of Plan Assets** | **43.97** | 29.75 |
| Expected Return on Plan Assets | **3.34** | 2.58 |
| Actuarial Gains/(Losses) | **(0.78)** | 0.46 |
| Contributions by Employer | **20.33** | 12.94 |
| Benefits Paid | **(3.43)** | (1.76) |
| **Closing Fair Value of Plan Assets** | **63.43** | 43.97 |

Experience adjustments

*(₹ in crores)*

| | 31 March, 2011 | 31 March, 2010 | 31 March, 2009 | 31 March, 2008 | 31 March, 2007 |
|---|---|---|---|---|---|
| Defined Benefit Obligations | **60.65** | 42.56 | 36.37 | 23.35 | 14.32 |
| Plan Assets | **63.43** | 43.97 | 29.75 | 17.74 | 11.89 |
| Surplus/(Deficit) | **2.78** | 1.41 | (6.62) | (5.61) | (2.43) |
| Experience Adjustments on Plan Liabilities | **1.40** | 1.16 | 3.38 | 3.56 | 2.29 |
| Experience Adjustments on Plan Assets | **(0.78)** | 0.46 | (0.73) | (0.17) | 0.13 |

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| The major categories of plan assets* as a percentage of fair value of total plan assets – Insurer Managed Funds | **100** | 100 |
| *composition of plan assets is not available | | |

| | 31 March, 2011 |
|---|---|
| **Principal actuarial assumptions at the Balance Sheet date:** | |
| Discount Rate | **8.05% p.a.** |
| Expected rate of Return on Plan Assets | **7.50% p.a.** |
| Salary Escalation Rate | **6.00% p.a.** |
| Employee Turnover | |
| - 21 to 30 (age in years) | **16.55%** |
| - 31 to 44 (age in years) | **10.00%** |
| - 45 to 59 (age in years) | **1.00%** |

| | 31 March, 2010 |
|---|---|
| **Principal actuarial assumptions at the Balance Sheet date:** | |
| Discount Rate | 7.90% p.a. |
| Expected rate of Return on Plan Assets | 7.50% p.a. |
| Salary Escalation Rate | 6.00% p.a. |
| Employee Turnover | |
| - 21 to 44 (age in years) | 10.00% |
| - 45 to 64 (age in years) | 1.00% |

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

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

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

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

2.2.11 Provisions and contingencies

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

*(₹ in crores)*

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| Opening balance at the beginning of the year | **0.21** | 4.51 |
| Additions during the year | **4.78** | 0.04 |
| Reductions on account of payments during the year | **-** | (0.27) |
| Reductions on account of reversals during the year | **-** | (4.07) |
| **Closing balance at the end of the year** | **4.99** | 0.21 |

b) Movement in provision for credit enhancements on securitised assets is set out below:

*(₹ in crores)*

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| Opening balance at the beginning of the year | - | - |
| Additions during the year | - | - |
| Reductions during the year | - | - |
| **Closing balance at the end of the year** | - | - |

c) Movement in provision for debit/credit card reward points is set out below:

*(₹ in crores)*

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| Opening provision at the beginning of the year | **18.41** | 9.97 |
| Provision made during the year | **8.25** | 9.35 |
| Reductions during the year | **(1.65)** | (0.91) |
| **Closing provision at the end of the year** | **25.01** | 18.41 |

d) Movement in provision for other contingencies (including derivatives) is set out below:

*(₹ in crores)*

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| Opening provision at the beginning of the year | **-** | - |
| Provision made during the year | **36.44** | - |
| Reductions during the year | **-** | - |
| **Closing provision at the end of the year** | **36.44** | - |

2.2.12 Unclaimed Shares:

Details of unclaimed shares as of 31 March, 2011 are as follows:

| | 31 March, 2011 |
|---|---|
| Aggregate number of shareholders at the beginning of the year | **49** |
| Total outstanding shares in Unclaimed Suspense Account at the beginning of the year | **6,200*** |
| Number of shareholders who approached to issuer for transfer of shares from Unclaimed Suspense Account during the year | **11**** |
| Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year | **11**** |
| Aggregate number of shareholders at the end of the year | **38** |
| Total outstanding shares in Unclaimed Suspense Account at the end of the year | **4,900*** |

* Opening of Unclaimed Suspense Account is in process

** Shares lying with Bank under postal return were re-despatched

2.2.13 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from 2 October, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

2.2.14 Description of contingent liabilities:

a) Claims against the Bank not acknowledged as debts

These represent claims filed against the Bank in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax and other statutory authorities and disputed by the Bank.

b) Liability on account of forward exchange and derivative contracts

The Bank enters into foreign exchange contracts, currency options/swaps, interest rate futures and forward rate agreements on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in two currencies, based on ruling spot rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Interest rate futures are standardised, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time.

c) Guarantees given on behalf of constituents

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

d) Acceptances, endorsements and other obligations

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

e) Other items

Other items represent outstanding amount of bills rediscounted by the Bank, estimated amount of contracts remaining to be executed on capital account and commitments towards underwriting and investment in equity through bids under Initial Public Offering (IPO) of corporates as at the year end.

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

**For Axis Bank Ltd.**

**Adarsh Kishore**
Chairman

**R. H. Patil**
Director

**R. B. L. Vaish**
Director

**Shikha Sharma**
Managing Director & CEO

**Sushil Kumar Roongta**
Director

**S. B. Mathur**
Director

**S. K. Chakrabarti**
Deputy Managing Director

**P. J. Oza**
Company Secretary

**Somnath Sengupta**
Executive Director & CFO

Date : 22nd April, 2011
Place: Mumbai

# AUDITORS' CERTIFICATE

**TO THE MEMBERS OF**
**AXIS BANK LIMITED**

We have examined the compliance of conditions of corporate governance by **AXIS BANK LIMITED** ("the Bank") for the year ended 31 March, 2011, as stipulated in clause 49 of the Listing Agreement of the said Bank with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Bank for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of corporate governance as stipulated in the abovementioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the Management has conducted the affairs of the Bank.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117365W)

**Z. F. Billimoria**
**Partner**
(Membership No.42791)

Place : Mumbai
Date : 22nd April, 2011

# CORPORATE GOVERNANCE

**(Forming Part of the Directors' Report for the year ended 31 March, 2011)**

## 1. Philosophy on Code of Governance

The Bank's policy on Corporate Governance has been:

I. To enhance the long term interest of its shareholders and to provide good management, the adoption of prudent risk management techniques and compliance with the required standards of capital adequacy, thereby safeguarding the interest of its other stakeholders such as depositors, creditors, customers, suppliers and employees.

II. To identify and recognise the Board of Directors and the Management of the Bank as the principal instruments through which good corporate governance principles are articulated and implemented. Further, to identify and recognise accountability, transparency and equality of treatment for all stakeholders, as central tenets of good corporate governance.

## 2. Board of Directors

The composition of the Board of Directors of the Bank is governed by the Companies Act, 1956, the Banking Regulation Act, 1949 and the Clause 49 of the Listing Agreement. The Bank's Board comprises a combination of executive and non-executive Directors. The Board presently consists of 14 Directors and its mix provides a combination of professionalism, knowledge and experience required in the banking business. The Board is responsible for the management of the Bank's business. The functions, responsibilities, role and accountability of the Board are well defined. In addition to monitoring corporate performance, the Board also carries out functions such as taking care of all statutory agenda, approving the Business Plan, reviewing and approving the annual budgets and borrowing limits, and fixing exposure limits. It ensures that the Bank keeps shareholders informed about plans, strategies and performance. The detailed reports of the Bank's performance are periodically placed before the Board. Shri S. B. Mathur has been appointed as the Lead Independent Director.

The composition of the Bank's Board includes the representatives of the Administrator of the Specified Undertaking of the Unit Trust of India (SUUTI), and the Life Insurance Corporation of India, the Bank's promoters. The following members now constitute the Board:

| | |
|---|---|
| Adarsh Kishore | Chairman<br>Promoter – Nominee of SUUTI |
| Shikha Sharma | Managing Director and Chief Executive Officer |
| S. K. Chakrabarti | Deputy Managing Director |
| J. R. Varma | Independent |
| R. H. Patil | Independent |
| Rama Bijapurkar | Independent |
| R. B. L. Vaish | Promoter – Nominee of the Life Insurance Corporation of India |
| M. V. Subbiah | Independent |
| K. N. Prithviraj | Promoter – Nominee of SUUTI |
| V. R. Kaundinya | Independent |
| S. B. Mathur | Independent |
| S. K. Roongta | Independent |
| Prasad R. Menon | Independent |
| R. N. Bhattacharyya | Promoter – Nominee of SUUTI |

Of these, all Directors are independent except Dr. Adarsh Kishore, Smt. Shikha Sharma, Shri S. K. Chakrabarti, Shri R. B. L. Vaish, Shri K. N. Prithviraj and Shri R. N. Bhattacharyya. Thus, the 8 Independent Directors constitute more than one-half of the Board's membership. Shri M. S. Sundara Rajan had joined the Board on 8 June, 2010 and resigned w.e.f. 22 February, 2011. Shri M. S. Sundara Rajan could not attend any meeting of the Board or any Committee in which he was a member as he was awaiting permission from the Ministry of Finance/RBI to join the Board of the Bank.

Dr. Adarsh Kishore, Smt. Shikha Sharma, Shri M. M. Agrawal, Shri M. V. Subbiah, Shri R. B. L. Vaish, Shri K. N. Prithviraj, Shri J. R. Varma, Shri S. B. Mathur and Shri V. R. Kaundinya attended the last Annual General Meeting held on 8 June, 2010 at Ahmedabad.

Shri N. C. Singhal who was the Chairman of Audit Committee retired from the Board w.e.f. 2 May, 2010. In the absence of a permanent Chairman of the Audit Committee, Shri R. B. L. Vaish and Shri M. V. Subbiah represented the Audit Committee at the last Annual General Meeting to respond to the queries of shareholders. Subsequently, Shri S. B. Mathur has been appointed as the Chairman of the Audit Committee w.e.f. 10 October, 2010.

In all, 10 meetings of the Board were held during the year on the following dates:

20 April, 2010, 8 June, 2010, 15 July, 2010, 16 July, 2010, 17 September, 2010, 9 October, 2010, 14 October, 2010, 17 November, 2010, 12 December, 2010 and 17 January, 2011.

Dr. Adarsh Kishore, Smt. Shikha Sharma, Shri R. B. L. Vaish, Shri K. N. Prithviraj, Shri S. B. Mathur attended all the ten meetings. Shri J. R. Varma attended eight meetings. Shri S. K. Roongta attended all the eight meetings for which he was eligible. Smt. Rama Bijapurkar attended seven meetings. Shri V. R. Kaundinya attended six meetings. Dr. R. H. Patil attended five meetings. Shri S. K. Chakrabarti attended all the five meetings for which he was eligible. Shri M. M. Agrawal attended all the four meetings for which he was eligible. Shri M. V. Subbiah attended four meetings. Shri Prasad R. Menon attended three meetings out of the four meetings for which he was eligible. Shri N. C. Singhal attended one meeting for which he was eligible. Shri M. S. Sundara Rajan could not attend any meeting.

The Directors of the Bank also hold position as directors, trustees, members and partners in other well-known and reputed companies, trusts, associations and firms as per the details given below:

**i. ADARSH KISHORE**

| Sr. No. | Name of the Company/Institution | Nature of Interest |
|---|---|---|
| 1. | AEGON Religare Life Insurance Company Limited | Director/Chairman - Audit Committee/Chairman - Ethics & Compliance Committee/Member - Nomination & Remuneration Committee/Chairman - Policyholders Protection Committee |
| 2. | Havells India Limited | Director |

**ii. SHIKHA SHARMA**

| Sr. No. | Name of the Company/Institution | Nature of Interest |
|---|---|---|
| 1. | Axis Asset Management Company Limited | Chairperson |
| 2. | Axis U.K. Limited | Chairperson |
| 3. | Axis Private Equity Limited | Director |

**iii. S. K. CHAKRABARTI**

| Sr. No. | Name of the Company/Institution | Nature of Interest |
|---|---|---|
| 1. | Axis Securities and Sales Limited | Chairman |

**iv. J. R. VARMA**

| Sr. No. | Name of the Company/Institution | Nature of Interest |
|---|---|---|
| 1. | Infosys BPO Limited | Director/Chairman – Compensation Committee/ Chairman – Audit Committee |
| 2. | Onmobile Global Limited | Director/Chairman – Audit Committee/Member – Share Transfers and Investor Grievance Committee |

**v. R. H. PATIL**

| Sr. No. | Name of the Company/Institution | Nature of Interest |
|---|---|---|
| 1. | The Clearing Corporation of India Limited | Chairman/Chairman - Bye-laws Rules & Regulations Committee/Chairman – Investment Committee/ Chairman – HR Committee of Directors/Chairman-Committee of Director for CSR Activities/Member – Nomination Committee of Director |
| 2. | Clear Corp Dealing Systems (India) Limited | Chairman |
| 3. | National Securities Depository Limited | Chairman/Chairman- Nomination Committee/ Chairman – Compensation Committee/Member – Audit Committee |
| 4. | NSDL Database Management Limited | Chairman/Chairman – Audit Committee |
| 5. | Axis Private Equity Limited | Chairman |
| 6. | L&T Investment Management Limited | Chairman/Member – Audit Committee |
| 7. | National Securities Clearing Corporation of India Limited | Director/Member – Audit Committee/Member – Committee for Declaration of Default |
| 8. | National Stock Exchange of India Limited | Director/Chairman – Audit Committee/Member – Committee for Declaration of Default/Member – Pricing Committee/Member – Technology Committee/Member – Business Development Committee/Member – Risk Assessment & Review Committee/Member – Employee PF Trust Committee/Member – Executive Committee for CDS Segment/Member- Investor Protection Fund Trust |
| 9. | NSE.IT Limited | Director/Member – Audit Committee/Member – Remuneration Committee |
| 10. | SBI Capital Markets Limited | Director/Chairman – Remuneration HR Committee/ Chairman – Risk Management Committee/Member – Audit Committee/Member – Committee of Directors |
| 11. | CorpBank Securities Limited | Director/Chairman – Audit Committee |
| 12. | L&T Infrastructure Finance Company Limited | Director/Chairman – Audit Committee/Chairman – Risk Management Committee |
| 13. | The Tata Power Company Limited | Director |

### vi. RAMA BIJAPURKAR

| Sr. No. | Name of the Company/Institution | Nature of Interest |
|---|---|---|
| 1. | CRISIL Limited | Director/Member – Compensation Committee/ Member – Allotment Committee |
| 2. | CRISIL Risk & Infrastructure Solutions Limited | Chairperson |
| 3. | Mahindra Holidays & Resorts India Limited | Director/Chairperson – Remuneration Committee/ Member – Audit Committee |
| 4. | Mahindra & Mahindra Financial Services Limited | Director/Member – Audit Committee/Member – Risk Management Committee |
| 5. | ICICI Prudential Life Insurance Company Limited | Director/Chairperson – Board Nomination & Compensation Committee/Member – Board Risk Management Committee |
| 6. | Ambit Holdings Pvt. Limited | Director |
| 7. | Janalakshmi Financial Services Pvt. Limited | Director |
| 8. | Vishwas (Vision for Health Welfare & Special Needs) (Sec. 25 Company) | Director |

### vii. R. B. L. VAISH

| Sr. No. | Name of the Company/Institution | Nature of Interest |
|---|---|---|
| 1. | LICHFL Asset Management Company Limited | Director |
| 2. | OTCEI Securities Limited | Director/Member – Remuneration Committee |

### viii. M. V. SUBBIAH

| Sr. No. | Name of the Company/Institution | Nature of Interest |
|---|---|---|
| 1. | National Skills Development Corporation (Sec. 25 Company) | Chairman |
| 2. | Lakshmi Machine Works Limited | Director |
| 3. | Chennai Willingdon Corporate Foundation (Sec. 25 Company) | Director |
| 4. | Chennai Heritage (Sec. 25 Company) | Director |
| 5. | SRF Limited | Director/Member – Audit Committee |
| 6. | Murugappa & Sons | Partner |
| 7. | Kadamane Estates Company | Partner |
| 8. | Vellayan Chettiar Trust | Trustee |
| 9. | Muna Vena Murugappan Trust | Trustee |
| 10. | A M M Foundation | Trustee |
| 11. | India Foundation for the Arts | Trustee |
| 12. | Meenakshi Charitable Trust | Trustee |
| 13. | Pallathur Nagarathar Trust | Trustee |
| 14. | National Skill Development Trust | Trustee |
| 15. | Advisory Board of Pari Washington Company | Member |
| 16. | Advisors Private Limited, Chennai | Member |

### ix. K. N. PRITHVIRAJ

| Sr. No. | Name of the Company/Institution | Nature of Interest |
|---|---|---|
| 1. | UTI Infrastructure Technology & Services Limited | Chairman |
| 2. | Surana Industries Limited | Director/Member – Audit Committee/Member – Remuneration & Nomination Committee |
| 3. | Surana Power Limited | Director |
| 4. | Dwarikeshwar Sugars Industries Limited | Director/Chairman – Audit Committee |
| 5. | Falcon Tyres Limited | Director/Member – Audit Committee |
| 6. | Montana Tyres Limited | Director/Member – Audit Committee |
| 7. | Daiwa Trustees Private Limited | Director/Member – Audit Committee |
| 8. | PNB Investment Services Limited | Director |
| 9. | Brickwork Ratings (India) Pvt. Limited | Director/Member – Audit Committee |
| 10. | Specified Undertaking of the Unit Trust of India | Administrator & Member of Board of Advisors |
| 11. | Oversight Committee on Sale of Assets of IIBI (Government of India) | Member |

### x. V. R. KAUNDINYA

| Sr. No. | Name of the Company/Institution | Nature of Interest |
|---|---|---|
| 1. | Advanta India Limited | Managing Director & CEO |
| 2. | Advanta Seeds Limited | Director |
| 3. | Unicorn Seeds Private Limited | Director |

### xi. S. B. MATHUR

| Sr. No. | Name of the Company/Institution | Nature of Interest |
|---|---|---|
| 1. | Orbis Financial Corporation Limited | Chairman/Member – Audit Committee |
| 2. | Cholamandalam MS General Insurance Company Limited | Chairman/Member – Audit Committee |
| 3. | DCM Sriram Industries Limited | Director/Member – Audit Committee |
| 4. | Havells India Limited | Director/Chairman – Audit Committee |
| 5. | HDIL Limited | Director |
| 6. | HOEC Limited | Director/Member – Audit Committee |
| 7. | IL&FS Limited | Director |
| 8. | ITC Limited | Director/Chairman – Audit Committee |
| 9. | National Collateral Management Services Co. Limited | Director |
| 10. | National Stock Exchange of India Limited | Director |
| 11. | Ultratech Cement Limited | Director |
| 12. | Janalakshmi Financial Services Pvt. Limited | Director |
| 13. | Munich Re India Services Pvt. Limited | Director |
| 14. | J.M. Financial Asset Reconstruction Co. Pvt. Limited | Director |
| 15. | General Insurance Corporation of India | Director/Chairman – Audit Committee |
| 16. | National Investment Fund | Advisor |
| 17. | IDFC Trustee Co. Limited | Trustee |
| 18. | AIG Trustee Co. Pvt. Limited | Trustee |

**xii. S. K. ROONGTA**

| Sr. No. | Name of the Company/Institution | Nature of Interest |
|---|---|---|
| 1. | ACC Limited | Director |
| 2. | Hindustan Petroleum Corporation Limited | Director/Member – Audit Committee/Member– Shareholders Grievance Committee |
| 3. | The Shipping Corporation of India Limited | Director |
| 4. | Neyveli Lignite Corporation Limited | Director |
| 5. | Jindal Power Limited | Director |
| 6. | Jubilant Industries Limited | Director/Chairman – Shareholders Grievance Committee/Member – Audit Committee |

**xiii. PRASAD R. MENON**

| Sr. No. | Name of the Company/Institution | Nature of Interest |
|---|---|---|
| 1. | Tata Ceramics Limited | Chairman |
| 2. | NELCO Limited | Chairman |
| 3. | Tata Consulting Engineers Limited | Chairman |
| 4. | Tata Chemicals Limited | Director |
| 5. | Tata Projects Limited | Director/Member – Remuneration Committee |
| 6. | Tata Industries Limited | Director/Member – Audit Committee |
| 7. | Tata BP Solar India Limited | Director |
| 8. | The Sanmar Group | Director |
| 9. | SKF India Limited | Director |

**xiv. R. N. BHATTACHARYYA**

| Sr. No. | Name of the Company/Institution | Nature of Interest |
|---|---|---|
| 1. | Global Coke Limited | Director |

The business of the Board is also conducted through the following Committees constituted by the Board to deal with specific matters and delegated powers for different functional areas:

**a) Committee of Directors**

R. H. Patil - Chairman
K. N. Prithviraj
V. R. Kaundinya
S. B. Mathur
Prasad R. Menon
Shikha Sharma
S. K. Chakrabarti

**b) Audit Committee**

S. B. Mathur - Chairman
R. H. Patil
R. B. L. Vaish
S. K. Roongta

**c) Risk Management Committee**

Adarsh Kishore - Chairman
J. R. Varma
R. B. L. Vaish
Shikha Sharma
S. K. Chakrabarti

**d) Shareholders/Investors Grievance Committee**

Adarsh Kishore - Chairman
K. N. Prithviraj
S. B. Mathur

**e) HR and Remuneration Committee**

Rama Bijapurkar - Chairperson
R. H. Patil
K. N. Prithviraj
S. K. Roongta
Prasad R. Menon

**f) Nomination Committee**

S. B. Mathur - Chairman
Rama Bijapurkar
R. B. L. Vaish
V. R. Kaundinya

**g) Special Committee of the Board of Directors for Monitoring of Large Value Frauds**

Shikha Sharma - Chairperson
R. H. Patil
V. R. Kaundinya
S. K. Roongta
S. K. Chakrabarti

**h) Customer Service Committee**

Adarsh Kishore - Chairman
J. R. Varma
R. B. L. Vaish
Shikha Sharma
S. K. Chakrabarti

**i) Committee of Whole-Time Directors**

Shikha Sharma - Chairperson
S. K. Chakrabarti

**j) Special Committee of the Board for Strategic Oversight of Integration of Businesses**

Rama Bijapurkar - Chairperson
J. R. Varma
R. B. L. Vaish
K. N. Prithviraj
Prasad R. Menon

The functions of the Committees are discussed below:

**a) Committee of Directors**

The Committee of Directors (COD) was reconstituted with effect from 10 October, 2010 and is vested with the following functions and powers:

i. To provide approvals for loans above certain stipulated limits, discuss strategic issues in relation to credit policy and deliberate on the quality of the credit portfolio.

ii. To sanction expenditures above certain stipulated limits.

iii. To approve expansion of the location of the Bank's network of offices, branches, extension counters, ATMs and Currency Chests.

iv. To review investment strategy and approve investment related proposals above certain limits.

v. To approve proposals relating to the Bank's operations covering all departments and business segments; and

vi. To discuss issues relating to day to day affairs and problems and to take such steps as may be deemed necessary for the smooth functioning of the Bank. All routine matters other than the strategic matters and review of policies other than strategic policies like Credit Policy, Investment Policy and other policies which the COD may consider necessary or Reserve Bank of India (RBI) may specifically require to be reviewed by the Board.

Meetings and Attendance during the year:

12 meetings of the Committee of Directors were held during the year on 21 April, 2010, 17 May, 2010, 7 June, 2010, 14 July, 2010, 23 August, 2010, 20 September, 2010, 9 October, 2010, 3 November, 2010, 7 December, 2010, 12 January, 2011, 18 February, 2011 and 21 March, 2011. Smt. Shikha Sharma attended all the twelve meetings. Shri S. B. Mathur attended all the nine meetings for which he was eligible. Dr. R. H. Patil attended eight meetings. Shri V. R. Kaundinya attended six meetings out of nine meetings for which he was eligible. Shri K. N. Prithviraj and Shri M. M. Agrawal attended all the five meetings for which they were eligible. Shri S. K. Chakrabarti attended four meetings out of six meetings for which he was eligible. Shri Prasad R. Menon attended all the three meetings for which he was eligible. Shri N. C. Singhal attended one meeting for which he was eligible, Shri M. V. Subbiah attended one meeting out of seven meetings for which he was eligible and Shri M. S. Sundara Rajan could not attend any meeting out of four meetings for which he was eligible.

**b) Audit Committee**

The Audit Committee of the Board of Directors was reconstituted with effect from 10 October, 2010 and functions with the following main objectives:

i. To provide direction and to oversee the operation of the audit functions in the Bank.

ii. To review the internal audit and inspection systems with special emphasis on their quality and effectiveness.

iii. To review inspection and concurrent audit reports of large branches with a focus on all major areas of housekeeping, particularly inter-branch adjustment accounts, arrears in the balancing of the books and un-reconciled entries in inter-bank and Nostro accounts and frauds.

iv. To follow up issues raised in Long Form Audit Report and inspection reports of RBI.

v. To review the system of appointment and remuneration of concurrent auditors and external auditors.

vi. To recommend to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.

vii. To review the performance of statutory and internal auditors, and adequacy of the internal control systems.

viii. To oversee the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

ix. To review the annual financial statements and to recommend their adoption to the Board, with particular reference to disclosure of any related party transactions.

x. To review the quarterly financial statements and recommend their adoption to the Board.

xi. To review the functioning of the Whistle Blower Mechanism; and

xii. To carry out any other function as is mentioned in the terms of reference of the Audit Committee.

As required under Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement, the new 'Terms of Reference' of the Committee were approved by the Board of Directors at its meeting held on 23 January, 2001.

Meetings and Attendance during the year:

11 meetings of the Audit Committee were held during the year on 20 April, 2010, 23 June, 2010, 14 July, 2010, 10 August, 2010, 17 September, 2010, 14 October, 2010, 19 November, 2010, 17 December, 2010, 17 January, 2011, 28 February, 2011 and 22 March, 2011. Shri R. B. L. Vaish attended all the eleven meetings. Shri S. B. Mathur attended nine meetings out of ten meetings for which he was eligible. Shri S. K. Roongta attended all the six meetings for which he was eligible. Dr. R. H. Patil attended four meetings. Shri M. V. Subbiah attended three meetings out of five meetings for which he was eligible. Shri N. C. Singhal attended one meeting for which he was eligible. Shri M. S. Sundara Rajan could not attend any meeting out of four meetings for which he was eligible.

**c) Risk Management Committee**

The Risk Management Committee of the Board of Directors was reconstituted with effect from 10 October, 2010 and functions with the following objectives:

i. To perform the role of Risk Management in pursuance of the Risk Management Guidelines issued periodically by RBI and Board; and

ii. To monitor the business of the Bank periodically and also to suggest the ways and means to improve the working and profitability of the Bank from time to time.

Meetings and Attendance during the year:

4 meetings of the Risk Management Committee were held during the year on 20 April, 2010, 15 July, 2010, 9 October, 2010 and 17 January, 2011. Dr. Adarsh Kishore and Smt. Shikha Sharma attended all the four meetings. Shri J. R. Varma attended three meetings. Shri M. M. Agrawal attended two meetings for which he was eligible. Shri S. K. Chakrabarti and Shri R. B. L. Vaish attended one meeting for which they were eligible.

**d) Shareholders/Investors Grievance Committee**

The Shareholders/Investors Grievance Committee of the Board of Directors was reconstituted with effect from 10 October, 2010. The primary objective of the Shareholders/Investors Grievance Committee is to look into redressal of shareholders' and investors' grievances relating to non-receipt of dividend, refund orders, shares sent for transfer, non-receipt of Annual Report and other similar grievances.

Meetings and Attendance during the year:

4 meetings of the Shareholders/Investors Grievance Committee were held during the year on 20 April, 2010, 15 July, 2010, 9 October, 2010 and 17 January, 2011. Dr. Adarsh Kishore and Shri K. N. Prithviraj attended all the four meetings. Shri R. B. L. Vaish attended three meetings for which he was eligible. Shri S. B. Mathur attended one meeting for which he was eligible. Shri M. S. Sundara Rajan could not attend one meeting for which he was eligible.

At monthly intervals, the Bank sends to the members of the Committee, investors' service status reports giving the brief details of the complaints received, disposed off and pending. Details of the status of the references/ complaints received for the year are given in the following statement:

**Status of the References/Complaints from 1 April, 2010 to 31 March, 2011**

| Sr. No. | Nature of Reference/Complaints | Received | Disposed Off | Pending |
|---|---|---|---|---|
| 1. | Change of Address | 453 | 453 | - |
| 2. | Bank Mandates | 69 | 69 | - |
| 3. | ECS | 409 | 409 | - |
| 4. | Nomination | 337 | 337 | - |
| 5. | Non-receipt of Share Certificates | 72 | 72 | - |
| 6. | Correction of Names | 48 | 48 | - |
| 7. | Stock Exchange queries | 4 | 4 | - |
| 8. | NSDL/CDSL queries | - | - | - |
| 9. | SEBI | 8 | 8 | - |
| 10. | Receipt of Dividend Warrants for revalidation | 372 | 372 | - |
| 11. | Non-receipt of Dividend | 678 | 678 | - |
| 12. | Non-receipt of Annual Reports | 29 | 29 | - |
| 13. | Transfers | 601 | 623 ** | - |

**22 share transfers were received in the last week of March 2010 and were disposed off in the first week of April 2010.

Shri P. J. Oza, Company Secretary, is the Compliance Officer for SEBI/Stock Exchange related issues.

**e) HR and Remuneration Committee**

The Remuneration and Nomination Committee of the Board of Directors has been split into two separate Committees with effect from 10 October, 2010 namely, HR and Remuneration Committee and Nomination Committee.

The HR and Remuneration Committee of the Board of Directors was constituted with effect from 10 October, 2010 and functions with the following objectives:

i. To decide the overall remuneration policy of the Bank, including the level and structure of fixed pay, perquisites, the bonus pools, stock-based compensation including grant of stock options and/or recommending to the Board, grant of stock options to employees of the Bank.

ii. To recommend to the Board, the remuneration package for the MD & CEO, the other Whole-time Directors and senior managers one level below the Board position including the level and structure of fixed pay, variable pay, stock-based compensation and perquisites.

iii. To recommend to the Board, the compensation payable to the Chairman of the Bank, including fixed and variable pay and perquisites.

iv. To examine the HR processes within the Bank.

v. To evaluate the process of succession planning at the level of the MD & CEO, the other Whole-time Directors, and senior managers one level below the Board position.

vi. To be consulted on appointment of the Executive Directors in the Bank.

vii. To review the talent management and succession process to ensure business continuity.

viii. To review the annual presentation from the HR department of the Bank on the HR and remuneration landscape.

Meeting and Attendance during the year:

1 meeting of HR and Remuneration Committee was held during the year on 3 November, 2010. Dr. R. H. Patil, Shri K. N. Prithviraj and Shri S. K. Roongta attended the meeting. Smt. Rama Bijapurkar and Shri Prasad R. Menon could not attend the meeting.

Meetings and Attendance during the year - Remuneration and Nomination Committee:

4 meetings of the Remuneration and Nomination Committee were held till 10 October, 2010 on 15 April, 2010, 19 May, 2010, 14 July, 2010 and 8 October, 2010. Smt. Rama Bijapurkar and Shri K. N. Prithviraj attended all the four meetings. Dr. R. H. Patil attended two meetings. Shri N. C. Singhal attended one meeting for which he was eligible.

**Remuneration Policy**

The Bank believes that to attract the right talent, the Remuneration Policy should be structured in line with other peer group banks, and is sensitive to compensation packages in this part of the financial market. Compensation is structured in terms of fixed pay, variable pay and employee stock options, with the last two being strongly contingent on employee performance. The Remuneration Policy for the Chairman, Managing Director and Chief Executive Officer and other Whole-time Directors is similarly structured and approved by the Board of Directors, the shareholders and the RBI from time to time.

**Remuneration of Directors**

i. Smt. Shikha Sharma was appointed as the Managing Director and CEO of the Bank for a period of three years w.e.f. 1 June, 2009.

   The Bank has entered into a service agreement with Smt. Shikha Sharma for a period from 1 June, 2009 to 31 May, 2012.

   The details of remuneration paid to Smt. Shikha Sharma during the year under review are given below in sub-para vii.

   Smt. Shikha Sharma was granted 1,00,000 and 1,75,000 options under the Employee Stock Option Plan Grant IX B (13 July, 2009) and Grant X (20 April, 2010) respectively. From these two tranches, 30,000 options were vested up to 31 March, 2011. None of these options have been exercised by Smt. Shikha Sharma till 31 March, 2011.

ii. Shri M. M. Agrawal was appointed as an Additional Director and the Deputy Managing Director of the Bank. RBI vide its letter dated 11 February, 2010 approved the appointment of Shri M. M. Agrawal as the Deputy Managing Director of the Bank as also the payment of remuneration to him with effect from 10 February, 2010. The term of Shri Agrawal was up to 31 August, 2010, the last day of the month in which he attained the age of superannuation.

   The details of remuneration paid to Shri M. M. Agrawal during the year under review are given below in sub-para vii.

   Shri M. M. Agrawal was granted 3,22,280 options in total under various tranches under the Employee Stock Option Plan (out of which 1,00,000 options were granted after he was appointed as Deputy Managing Director). From these tranches,1,73,046 options were vested and exercised up to 31 August, 2010, while 1,49,234 options are unvested on 31 August, 2010.

iii. Shri S. K. Chakrabarti has been appointed as an Additional Director and Deputy Managing Director of the Bank with effect from 27 September, 2010. The term of Shri Chakrabarti is up to 30 September, 2011, the last day of the month in which he attains the age of superannuation. The approval of the shareholders to the appointment of Shri S. K. Chakrabarti as the Deputy Managing Director and payment of remuneration is being sought in the Annual General Meeting being held on 17 June, 2011.

   The details of remuneration paid to Shri S. K. Chakrabarti during the year under review are given below in sub-para vii.

   Shri S. K. Chakrabarti was granted 2,70,380 options in total under various tranches under the Employee Stock Option Plan (all the options were granted before he was appointed as Deputy Managing Director). From these tranches, 1,52,046 options were vested and 1,44,546 options were exercised up to 31 March, 2011, and 7,500 options are unexercised. 1,18,334 options are unvested as on 31 March, 2011.

iv. Dr. Adarsh Kishore has been appointed as Chairman of the Bank for a period of three years w.e.f. 8 March, 2010. The details of remuneration of Dr. Adarsh Kishore during the year under review are:

Salary of ₹12,00,000.

Expenses for maintenance of office ₹8,80,480.

v. The Bank has received approval of RBI, shareholders and of the Central Government under the provisions of Section 309(4) of the Companies Act, 1956 for payment of remuneration to Dr. Adarsh Kishore.

vi. In accordance with the present regulations of RBI, the Bank grants no ESOPs to any Non-Executive Directors.

vii. The details of remuneration paid to the Whole-time Directors during 2010-11 are as under:

*(In ₹)*

| | **Smt. Shikha Sharma** | **Shri M. M. Agrawal** | **Shri S. K. Chakrabarti** |
|---|---|---|---|
| For the Period | 1.4.2010 to 31.3.2011 | 1.4.2010 to 31.8.2010 | 27.9.2010 to 31.3.2011 |
| Salary | 1,35,41,664 | 64,58,214 | 41,16,229 |
| Fixed Allowance | Nil | 26,64,773 | 7,30,685 |
| Leave Fare Concession facility | 8,80,000 | 5,15,473 | 4,03,678 |
| House Rent Allowance | 52,00,000 | Nil | Nil |
| Variable Pay | 26,04,165 | 15,18,000 | Nil |
| Upkeep Allowance [1] | Nil | 44,002 | Nil |
| Provident Fund | @ 12% of pay with equal contribution by the Bank or as decided by the Board of Trustees from time to time | @ 12% of pay with equal contribution by the Bank or as decided by the Board of Trustees from time to time | @ 12% of pay with equal contribution by the Bank or as decided by the Board of Trustees from time to time |
| Gratuity | One month's salary for each completed year of service or part thereof. | One month's salary for each completed year of service or part thereof (on pro-rata basis). | One month's salary for each completed year of service or part thereof (on pro-rata basis). |
| Superannuation | 10% of pay | 10% of pay | 10% of pay |
| Leave Encashment | Nil | 11,04,000 | 4,04,167 |

[1]Upkeep Allowance paid towards upkeep of residential accommodation provided by the Bank.

Perquisites (evaluated as per Income Tax Rules, wherever applicable, or otherwise at actual cost to the Bank) such as the benefit of the Bank's furnished accommodation, electricity, water and furnishings, club fees, personal accident insurance, loans, use of car and telephone at residence, medical reimbursement, travelling and halting allowances, newspapers and periodicals, and others were provided in accordance with the Rules of the Bank.

viii. All Directors of the Bank, except for Smt. Shikha Sharma, Shri M. M. Agrawal and Shri S. K. Chakrabarti, were paid sitting fees of ₹20,000 for every meeting of the Board and also for every meeting of the Committees attended by them. Reimbursement of expenses, if any, for travel to and from the places of their residence to the venue of the meeting, lodging and boarding when attending the meeting, being on actual basis, is made directly by the Bank to the service providers. During the year, sitting fees of ₹42,00,000 was paid to the Directors of the Bank.

#### Sitting Fees

The details of sitting fees paid to the Directors during the period from 1 April, 2010 to 31 March, 2011 are as follows:

| Sr. No. | Name of Director | Sitting Fees (₹) |
|---|---|---|
| 1. | Adarsh Kishore | 4,40,000 |
| 2. | N. C. Singhal | 80,000 |
| 3. | J. R. Varma | 2,80,000 |
| 4. | R. H. Patil | 4,40,000 |
| 5. | Rama Bijapurkar | 2,80,000 |
| 6. | R. B. L. Vaish | 6,40,000 |
| 7. | M. V. Subbiah | 1,60,000 |
| 8. | K. N. Prithviraj | 5,20,000 |
| 9. | V. R. Kaundinya | 3,00,000 |
| 10. | S. B. Mathur | 6,00,000 |
| 11. | M. S. Sundara Rajan | NIL |
| 12. | S. K. Roongta | 3,20,000 |
| 13. | Prasad R. Menon | 1,40,000 |
| 14. | R. N. Bhattacharyya | NIL |
| 15. | Shikha Sharma | NIL |
| 16. | M. M. Agrawal | NIL |
| 17. | S. K. Chakrabarti | NIL |
| | **TOTAL** | **42,00,000** |

The details of shares of the Bank, held by the non-whole time Directors as on 31 March, 2011 are set out in the following table:

| Name of Director | No. of shares held |
|---|---|
| R. B. L. Vaish | 225 equity shares |
| S. B. Mathur | 200 equity shares |

### f) Nomination Committee

The Nomination Committee of the Board of Directors was constituted on 10 October, 2010 and functions with the following objectives:

i. To undertake a process of due diligence to determine the suitability of any person for appointment/continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria.

ii. To examine the vacancies that will come up at the Board on account of retirement or otherwise.

iii. To evaluate the skills that exist, and those that are absent but needed at the Board level, and search for appropriate candidates who have the profile to provide such skill sets.

iv. To create a recommendatory list for deliberation and decision-making at the Board level.

v. To review the charter, tasks and composition of Committees of the Board, and identify and recommend to the Board, the Directors who can best serve as members of each Board Committee.

Meeting and Attendance during the year:

1 meeting of Nomination Committee was held during the year on 12 December, 2010. Shri S. B. Mathur, Shri V. R. Kaundinya, Shri R. B. L. Vaish and Smt. Rama Bijapurkar attended the same.

**g) Special Committee of the Board of Directors for Monitoring of Large Value Frauds**

The Special Committee of the Board of Directors for Monitoring of Large Value Frauds was reconstituted with effect from 10 October, 2010 and functions with the following objectives:

To monitor and review all the frauds of ₹1 crore and above so as to:

i. Identify systemic lacunae, if any, which facilitated perpetration of the fraud and put in place measures to plug the same.

ii. Identify the reasons for delay in detection, if any, in reporting to top management of the Bank and RBI.

iii. Monitor progress of CBI/Police Investigation and recovery position.

iv. Ensure that staff accountability is examined at all levels in all cases of frauds and staff side action, if required, is completed quickly without loss of time.

v. Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls; and

vi. Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.

Meetings and Attendance during the year:

4 meetings of Special Committee of the Board of Directors for Monitoring of Large Value Frauds were held during the year on 20 May, 2010, 14 July, 2010, 3 November, 2010 and 21 March, 2011. Smt. Shikha Sharma attended all the meetings. Dr. Adarsh Kishore, Shri V. R. Kaundinya and Shri S. K. Chakrabarti attended two meetings for which they were eligible. Dr. R. H. Patil attended two meetings out of three meetings for which he was eligible. Shri S. K. Roongta attended one meeting out of two meetings for which he was eligible.

**h) Customer Service Committee**

The Customer Service Committee of the Board of Directors was reconstituted with effect from 10 October, 2010 and functions with the following objectives:

i. Overseeing the functioning of the Bank's internal committee set-up for customer service.

ii. To review the level of customer service in the Bank including customer complaints and the nature of their resolution.

iii. Provide guidance in improving the customer service level.

iv. Review any award by the Banking Ombudsman to any customer on a complaint filed with the Ombudsman.

Meetings and Attendance during the year:

4 meetings of the Customer Service Committee were held during the year on 24 June, 2010, 30 September, 2010, 28 December, 2010 and 31 March, 2011. Shri R. B. L. Vaish attended all the four meetings and Shri J. R. Varma attended three meetings. Dr. Adarsh Kishore, Smt. Shikha Sharma and Shri S. K. Chakrabarti attended two meetings for which they were eligible.

**i) Committee of Whole-time Directors**

The Committee of Whole-time Directors was constituted on 15 January, 2010 and functions with the following objectives:

i. Allotment of shares under ESOP.

ii. Grant of Powers of Attorney.

iii. Issue of duplicate share certificates, and

iv. Any other routine administrative matters.

Meetings during the year:

11 meetings of the Committee of Whole-time Directors were held during the year on 21 April, 2010, 19 May, 2010, 18 June, 2010, 20 July, 2010, 23 August, 2010, 21 October, 2010, 22 November, 2010, 17 December, 2010, 18 January, 2011, 23 February, 2011 and 25 March, 2011.

**j) Special Committee of the Board for Strategic Oversight of Integration of Businesses**

The Special Committee of the Board for Strategic Oversight of Integration of Businesses was constituted on 17 January, 2011 and functions on behalf of the Board of Directors, to monitor and exercise oversight of the process of integration of the businesses to be acquired from Enam Securities Private Limited with Axis Bank Limited and its subsidiary, Axis Securities and Sales Limited.

Meetings and Attendance during the year:

2 meetings of Special Committee of the Board for Strategic Oversight of Integration of Businesses were held during the year on 27 January, 2011 and 15 February, 2011. Smt. Rama Bijapurkar, Shri K. N. Prithviraj and Shri R. B. L. Vaish attended both the meetings. Shri Prasad R. Menon attended one meeting. Shri J. R. Varma participated in both the meetings through teleconference.

**3. General Body Meetings:**

The last three Annual General Meetings were held as follows:

| Annual General Meeting | Date and Day | Time | Location |
|---|---|---|---|
| 14th | 6.6.2008 – Friday | 10.00 a.m. | Bhaikaka Bhavan, Ellisbridge, Ahmedabad – 380 006 |
| 15th | 1.6.2009 – Monday | 10.00 a.m. | Bhaikaka Bhavan, Ellisbridge, Ahmedabad – 380 006 |
| 16th | 8.6.2010 – Tuesday | 10.00 a.m. | Bhaikaka Bhavan, Ellisbridge, Ahmedabad – 380 006 |

The special resolutions passed during the last three Annual General Meetings/Postal Ballot were as under:

| Annual General Meeting | Date of Annual General Meeting | Special Resolutions |
|---|---|---|
| 14th | 6.6.2008 – Friday | • Resolution No. 6 - Appointment of Statutory Auditors under Section 224A of the Companies Act, 1956.<br>• Resolution No. 9 - Approval of the shareholders of the Bank pursuant to Section 81 of the Companies Act, 1956 authorising the Board of Directors of the Bank to issue, offer and allot equity stock options under the Employees Stock Option Scheme of the Bank. |
| 15th | 1.6.2009 – Monday | • Resolution No. 5 - Appointment of Statutory Auditors under Section 224A of the Companies Act, 1956.<br>• Resolution No. 7 - Partial modification to the approval given by shareholders through postal ballot notice dated 9 January, 2009 to the Articles of Association of the Bank in respect of separation of the post of Chairman and CEO into the posts of i) Non-Executive Chairman and ii) Managing Director. The effective date of the alteration of Articles of Association changed to 1 June, 2009 instead of 1 August, 2009. |

| Annual General Meeting | Date of Annual General Meeting | Special Resolutions |
|---|---|---|
| Resolution passed through Postal Ballot | Date of Scrutinizer's Report – 9.9.2009 | • Special Resolution for increasing the Number of Directors to Fifteen*.<br>• Special Resolution for alteration of Articles 88 and 89(10) of the Articles of Association of the Bank in respect of increasing the number of Directors to fifteen and for alteration to the Articles of Association in respect of replacing the words 'Whole-time/ Executive Director(s)' wherever appearing in Articles 118(2a), 118(3) and 118(4) of the Articles of Association, by the words 'Whole-time/Executive/Joint/Deputy Managing Director(s)'**.<br>• Special Resolution for Raising Tier I Capital ***. |
| $16^{th}$ | 8.6.2010 – Monday | • Resolution No. 5 - Appointment of Statutory Auditors under Section 224A of the Companies Act, 1956.<br>• Resolution No. 14 - Approval of the shareholders of the Bank pursuant to Section 81 of the Companies Act, 1956 authorising the Board of Directors of the Bank to issue, offer and allot equity stock options under the Employees Stock Option Scheme of the Bank.<br>• Resolution No. 15 - Approval of the shareholders of the Bank pursuant to Section 81(1A) of the Companies Act, 1956 authorising the Board of Directors of the Bank to create, offer, issue and allot equity stock options to the permanent employees of the subsidiaries of the Bank, present and future, including any Director of the Subsidiary Companies, under the Employees Stock Option Scheme of the Bank. |

* Resolution proposing the increase in the number of Directors to Fifteen was passed through postal ballot. Shri Ashwin Lalbhai Shah, an Advocate of Gujarat High Court, who was appointed as Scrutinizer by the Bank, received a total of 1,384 numbers of ballots. Out of 1,384 ballots received by Shri Shah, 1,341 were valid ballots and 43 were invalid ballots. Out of 1,341 shareholders, 99.44% had assented for the Resolution.

** Resolution proposing the alteration to the Articles of Association was passed through postal ballot. Shri Ashwin Lalbhai Shah, an Advocate of Gujarat High Court, who was appointed as Scrutinizer by the Bank, received a total of 1,384 numbers of ballots. Out of 1,384 ballots received by Shri Shah, 1,337 were valid ballots and 47 were invalid ballots. Out of 1,337 shareholders, 99.99% had assented for the Resolution.

*** Resolution proposing Raising of Tier I Capital was passed through postal ballot. Shri Ashwin Lalbhai Shah, an Advocate of Gujarat High Court, who was appointed as Scrutinizer by the Bank, received a total of 1,384 number of ballots. Out of 1,384 ballots received by Shri Shah, 1,336 were valid ballots and 48 were invalid ballots. Out of 1,336 shareholders, 99.24% had assented for the Resolution.

No Resolution in the notice of the proposed Seventeenth Annual General Meeting is proposed to be passed by Postal Ballot.

## 4. Dividend History of Last Five Years

| Sr. No. | Financial Year | Rate of Dividend | Date of Declaration (AGM) | Date of Payment (Date of Dividend Warrant) |
|---|---|---|---|---|
| 1. | 2005-06 | 35% (₹3.50 per share) | 2.6.2006 | 3.6.2006 |
| 2. | 2006-07 | 45% (₹4.50 per share) | 1.6.2007 | 2.6.2007 |
| 3. | 2007-08 | 60% (₹6.00 per share) | 6.6.2008 | 7.6.2008 |
| 4. | 2008-09 | 100% (₹10.00 per share) | 1.6.2009 | 2.6.2009 |
| 5. | 2009-10 | 120% (₹12.00 per share) | 8.6.2010 | 9.6.2010 |

Unclaimed Dividends:

All shareholders whose dividends are unpaid have been intimated individually to claim their dividends. Under the Transfer of Unclaimed Dividend Rules, it would not be possible to claim the dividend amount once deposited in Investors' Education & Protection Fund (IEPF). Shareholders are, therefore, again requested to claim their unpaid dividend, if not already claimed.

Transfer to Investor Protection Fund:

Pursuant to Section 205C of the Companies Act, 1956, dividends that are unclaimed for a period of seven years get transferred to the Investors' Education and Protection Fund administered by the Central Government. Listed in the table below are the dates of dividend declaration since 2003-04 and the corresponding dates when unclaimed dividends are due to be transferred to the Central Government.

| Year | Dividend-Type | Date of Declaration | Due Date of Transfer |
|---|---|---|---|
| 2003-04 | Final | 18.6.2004 | 18.7.2011 |
| 2004-05 | Final | 10.6.2005 | 10.7.2012 |
| 2005-06 | Final | 2.6.2006 | 2.7.2013 |
| 2006-07 | Final | 1.6.2007 | 1.7.2014 |
| 2007-08 | Final | 6.6.2008 | 6.7.2015 |
| 2008-09 | Final | 1.6.2009 | 1.7.2016 |
| 2009-10 | Final | 8.6.2010 | 8.7.2017 |

## 5. Disclosures

- There were no transactions of a material nature undertaken by the Bank with its promoters, directors or the management, their subsidiaries or relatives that may have a potential conflict with the interests of the Bank.
- There are no instances of non-compliance by the Bank, penalties and strictures imposed by Stock Exchanges and SEBI/other statutory authorities on any matter related to capital markets during the last three years other than the following:

  (i) A penalty of ₹2 lacs was imposed by SEBI vide its order dated 10 March, 2011. It is an adjudication order and is passed against the Bank with respect to the Debenture Trustee activity carried out by the Bank. The Bank proposes to file an appeal.

  (ii) SEBI has conveyed to the Bank its strong displeasure in not exercising the required level of diligence in preventing certain errors during the IPO of Orient Green Power Company Limited wherein the Bank had acted as a merchant banker.

  (iii) During the buyback of shares by India Infoline Limited, wherein the Bank acted as a merchant banker, SEBI has warned the Bank to be more careful in exercising due diligence while drafting public announcements in future.

(iv) During the last three years, penalty of ₹16,050 was imposed by National Securities Depository Limited on the Bank for its activity as Depository Participant.

- Whistleblower Policy: A central tenet in the Bank's Policy on Corporate Governance is commitment to ethics, integrity, accountability and transparency. To ensure that the highest standards are maintained in these aspects on an on-going basis and to provide safeguards to various stakeholders (including shareholders, depositors and employees) the Bank has formulated a 'Whistleblower Policy'. The Policy provides employees with the opportunity to address serious concerns arising from irregularities, malpractices and other misdemeanors committed by the Bank's personnel by approaching a Committee set up for the purpose (known as the Whistleblower Committee). In case senior management commits the offences, the Policy enables the Bank's staff to report the concerns directly to the Audit Committee of the Board. The Policy is intended to encourage employees to report suspected or actual occurrence of illegal, unethical or inappropriate actions, behaviors or practices by staff without fear of retribution. The employees use this Policy regularly as a tool to voice their concerns on irregularities, malpractices and other misdemeanors. The Policy also provides the facility to report wrongdoing in an anonymous manner. It is hereby affirmed that the Bank has not denied personal access to the Audit Committee of the Board and that the policy contains provisions protecting Whistleblowers from unfair termination and other unfair prejudicial and employment practice. The Whistleblower Policy is required to be reviewed by the Audit Committee of the Board at regular intervals.

- The Bank has complied with the mandatory requirements regarding the Board of Directors, Audit Committees and other Board Committees and other disclosures as required under the provisions of the revised Clause 49 of the Listing Agreement effective 1 January, 2006. The Bank has also complied with non-mandatory requirements like formation of HR & Remuneration Committee and Nomination Committee, sending half-yearly results to each shareholder, the performance evaluation of all Directors under 'Fit & Proper' Criteria laid down by RBI and establishment of a Whistle Blower Policy.

## 6. Means of Communication

- Quarterly/Half-yearly results are communicated through newspaper advertisements, press releases and by posting information on the Bank's website. Also, Half-yearly results are forwarded to each shareholder through post along with a letter from Managing Director and Chief Executive Officer.
- The results are generally published in the Economic Times and Gujarat Samachar or Sandesh or Divya Bhaskar.
- Address of our official website is **www.axisbank.com** where the information is displayed.
- Generally, after the half-yearly and the annual results are approved by the Board, formal presentations are made to analysts by the management and the same is also placed on the Bank's website.
- The Management's Discussion and Analysis Report for the year 2010-11 is part of the Annual Report.

## 7. General Shareholder Information

| | | |
|---|---|---|
| • AGM: Date, time and venue | - | 17 June, 2011 – 10.00 A.M.<br>At J. B. Auditorium, Ahmedabad Management Association, AMA Complex, ATIRA, Dr. Vikram Sarabhai Marg, Ahmedabad – 380 015. |
| • Financial Year/Calendar | - | 1 April, 2011 to 31 March, 2012. The meetings to consider quarterly results for the quarter ending June 2011, September 2011 and December 2011 are proposed to be held during second half of July 2011, October 2011 and January 2012. The meeting to consider audited annual accounts and Q4 results is proposed to be held during the second half of April 2012. |
| • Date of Book Closure | - | 10 June, 2011 to 17 June, 2011 (both days inclusive) |

- Dividend Payment Date - The dispatch of the dividend warrants/ECS credit would commence on 18 June, 2011 and is expected to be completed on or before 27 June, 2011.
- The Bank's shares are listed on the following Stock Exchanges:

  i. Bombay Stock Exchange Limited, P. J. Towers, Dalal Street, Mumbai – 400 001.

  ii. National Stock Exchange of India Limited, Exchange Plaza, Plot No. C/1, "G" Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051.
- The Bank's Global Depositary Receipts (GDRs) are listed and traded on the London Stock Exchange, 10 Paternoster Square, London EC4M 7LS, UK.
- Listing of equity shares/GDRs on Stock Exchanges (with stock code):

| Name of Stock Exchange | Stock Code |
|---|---|
| Bombay Stock Exchange Limited | 532215 |
| National Stock Exchange of India Limited | AXISBANK |
| London Stock Exchange | AXB |

The annual fees for FY2011-12 have been paid to all the Stock Exchanges where the shares are listed.

ISIN for equity shares : INE 238A01026

Name of Depositories : i. National Securities Depository Limited

ii. Central Depository Services (India) Limited

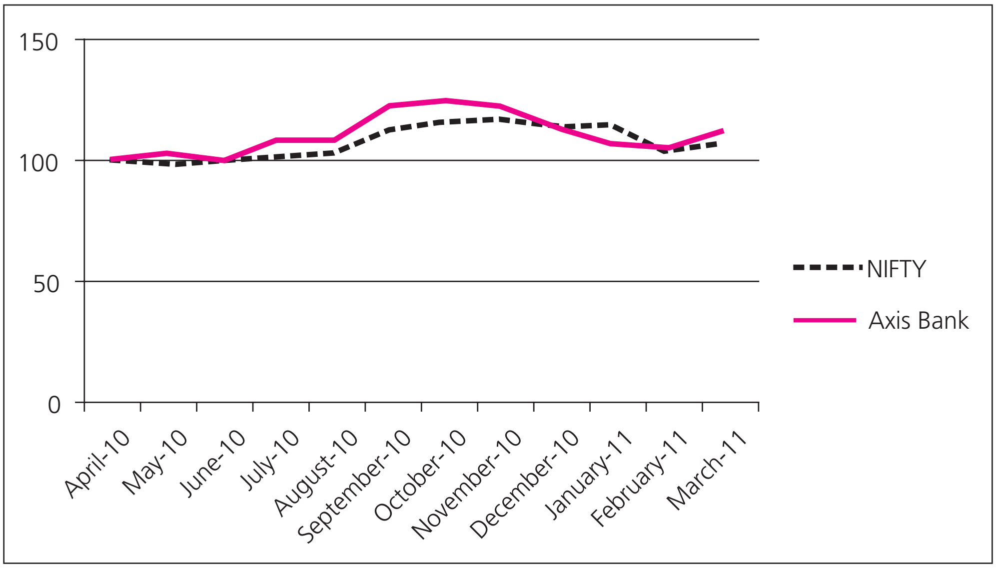
ISIN for GDRs : US05462W1099

- Market Price Data: The price of the Bank's Share - High, Low during each month in the last financial year on NSE was as under:

| MONTH | HIGH (₹) | LOW (₹) |
|---|---|---|
| April 2010 | 1,287.00 | 1,128.20 |
| May 2010 | 1,320.00 | 1,147.15 |
| June 2010 | 1,277.65 | 1,168.50 |
| July 2010 | 1,396.75 | 1,215.05 |
| August 2010 | 1,385.70 | 1,150.00 |
| September 2010 | 1,582.55 | 1,330.65 |
| October 2010 | 1,608.50 | 1,427.00 |
| November 2010 | 1,584.00 | 1,297.00 |
| December 2010 | 1,461.00 | 1,229.70 |
| January 2011 | 1,376.60 | 1,195.00 |
| February 2011 | 1,348.85 | 1,150.00 |
| March 2011 | 1,443.55 | 1,233.45 |

- The share price of the Bank's equity share performed well on the stock exchanges with a low of ₹1,128.20 during April 2010 on the National Stock Exchange. It touched a high of ₹1,608.50 during October 2010 on the National Stock Exchange. It showed a 42.57% appreciation between the low of April 2010 and high of October 2010.

Performance in comparison to NIFTY




- The high and low closing prices of the Bank's GDRs traded during the last financial year on the London Stock Exchange are given below:

| MONTH | HIGH (USD) | LOW (USD) |
|---|---|---|
| April 2010 | 29.11 | 25.31 |
| May 2010 | 30.00 | 23.94 |
| June 2010 | 27.63 | 25.08 |
| July 2010 | 29.96 | 26.00 |
| August 2010 | 29.70 | 27.71 |
| September 2010 | 34.65 | 28.70 |
| October 2010 | 36.30 | 32.00 |
| November 2010 | 36.12 | 28.45 |
| December 2010 | 35.10 | 27.44 |
| January 2011 | 30.44 | 26.40 |
| February 2011 | 30.75 | 25.31 |
| March 2011 | 32.99 | 27.40 |

- **Registrar and Share Transfer Agent:**

M/s. Karvy Computershare Private Limited
**Unit : Axis Bank Limited**
Plot No. 17 to 24, Vithalrao Nagar, Madhapur, Hyderabad – 500 081.
Phone No. 040-23420815 to 23420824
Fax No. 040-23420814
Email: einward.ris@karvy.com
Contact Persons: Shri V. K. Jayaraman, GM (RIS)/Ms. Varalakshmi, Sr. Manager (RIS)

- **Share Transfer System**

A Share Committee consisting of the Deputy Managing Director, President (Law) and the Company Secretary of the Bank has been formed looking after the matters relating to the transfer of shares, issue of duplicate share certificates in lieu of mutilated share certificates, and other related matters. The resolutions passed by the Share Committee are confirmed at subsequent Board meetings. The Bank's Registrar and Share Transfer Agent, M/s Karvy Computershare Pvt. Limited, Hyderabad, looks after the work relating to transfers.

The Bank ensures that all transfers are effected within a period of one month from the date of their lodgment.

According to a notification of the Securities and Exchange Board of India (SEBI), the equity shares of the Bank shall be traded compulsorily in Demat form by all investors w.e.f. 21 March, 2000. The Bank has already entered into agreements with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) so as to provide the members an opportunity to hold and trade shares of the Bank in electronic form.

The number of equity shares of Axis Bank transferred/processed during the last three years (excluding electronic transfer of shares in dematerialised form) is given below:

| | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|
| Number of transfer deeds | 670 | 599 | 623 |
| Number of shares transferred | 1,17,925 | 43,000 | 42,200 |

As required under Clause 47(c) of the listing agreements entered into by Axis Bank Limited with stock exchanges, a certificate is obtained every six months from a practicing Company Secretary, with regard to, *inter alia*, effecting transfer, transmission, sub-division, and consolidation of equity shares within one month of their lodgment. The certificates are forwarded to BSE and NSE where the Bank's equity shares are listed and also placed before the Shareholders/Investors Grievance Committee.

As required by SEBI, a Reconciliation of Share Capital Audit is conducted on a quarterly basis by a practicing Company Secretary, for the purpose of, *inter alia*, reconciliation of the total admitted equity share capital with the depositories and in the physical form with the total issued/paid-up equity capital of Axis Bank Limited. Certificates issued in this regard are placed before the Shareholders/Investors Grievance Committee and forwarded to BSE and NSE, where the equity shares of Axis Bank Limited are listed.

**Shareholders of Axis Bank with more than one per cent holding at 31 March, 2011**

| Name of Shareholder | No. of Shares | % to total No. of shares |
|---|---|---|
| Administrator of the Specified Undertaking of the Unit Trust of India (SUUTI) | 9,72,24,373 | 23.68 |
| Life Insurance Corporation of India | 3,92,62,917 | 9.56 |
| The Bank of New York Mellon – as depositary for the equity shares representing the underlying shares to the Global Depositary Receipts (GDRs) issued to the investors overseas | 3,77,12,095 | 9.19 |
| HSBC Bank (Mauritius) Limited A/c HSBC IRIS Investments (Mauritius) Limited | 1,96,09,210 | 4.78 |
| HSBC Bank (Mauritius) Limited A/c Cinnamon Capital Limited | 1,94,39,710 | 4.74 |
| Genesis Indian Investment Company Limited – General Sub Fund | 1,19,75,156 | 2.92 |
| Deutsche Securities Mauritius Limited | 99,10,195 | 2.41 |
| ICICI Prudential Life Insurance Company Limited | 90,51,135 | 2.20 |
| General Insurance Corporation of India | 75,75,000 | 1.85 |

- **Distribution of shareholding as on 31 March, 2011**

| | | |
|---|---|---|
| Total nominal value ₹ | : | 410,54,58,430 |
| Nominal value of each equity share ₹ | : | 10 |
| Total number of equity shares | : | 41,05,45,843 |
| Distinctive numbers | : | 1 to 41,05,45,843 |

| Shareholding of Nominal Value | | Shareholders | | Share Amount Nominal Value | |
|---|---|---|---|---|---|
| ₹ | ₹ | Numbers | % to total Shareholders | In ₹ | % to total Capital |
| Up to | 5,000 | 1,30,545 | 94.90 | 9,60,15,630 | 2.34 |
| 5,001 | 10,000 | 3,674 | 2.67 | 2,68,41,820 | 0.65 |
| 10,001 | 20,000 | 1,400 | 1.02 | 2,01,33,060 | 0.49 |
| 20,001 | 30,000 | 408 | 0.30 | 1,00,12,570 | 0.24 |
| 30,001 | 40,000 | 224 | 0.16 | 78,08,530 | 0.19 |
| 40,001 | 50,000 | 169 | 0.12 | 77,71,450 | 0.19 |
| 50,001 | 1,00,000 | 331 | 0.24 | 2,36,69,510 | 0.58 |
| 1,00,001 | Above | 813 | 0.59 | 391,32,05,860 | 95.32 |
| **TOTAL** | | **1,37,564** | **100.00** | **410,54,58,430** | **100.00** |

As on 31 March, 2011, out of total equity shares of the Bank, 40,81,90,816 shares representing 99.43% of the total shares have been dematerialised.

- The Bank has issued in the course of international offerings to the investors overseas, securities linked to ordinary shares in the form of Global Depositary Receipts (GDRs) during March/April 2005, July 2007 and September 2009 and the GDRs have been listed and traded on the London Stock Exchange. The Bank has simultaneously issued the underlying shares to the Global Depositary Receipts (GDRs) to the investors overseas. The underlying equity shares have been listed and permitted to be traded on the NSE and BSE. The numbers of outstanding GDRs as on 31 March, 2011 were 3,77,12,095.
- The Bank has not issued any ADRs/Warrants or any other convertible instruments, the conversion of which will have an impact on equity shares.
- Branch Locations – Given elsewhere
- Address for Correspondence:

The Company Secretary
**Axis Bank Limited**
Registered Office
'Trishul', 3rd Floor, Opp. Samartheshwar Temple,
Law Garden, Ellisbridge, Ahmedabad – 380 006
Phone No. : 079-26409322
Fax No. : 079-26409321
Email : p.oza@axisbank.com/rajendra.swaminarayan@axisbank.com

## Compliance with the Code of Conduct

I confirm that for the year under review all Directors and members of the Senior Management have affirmed compliance with the Code of Conduct of the Bank.

**Shikha Sharma**
Managing Director and CEO

22nd April, 2011

# AXIS BANK LIMITED GROUP - AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS**
**OF AXIS BANK LIMITED**

1. We have audited the attached Consolidated Balance Sheet of **AXIS BANK LIMITED** ("the Bank") and its subsidiaries (the Bank and its subsidiaries constitute "the Group") as at 31 March, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Bank's Management and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.
3. We did not audit the financial statements of five subsidiaries whose financial statements reflect total assets of ₹79.16 crores as at 31 March, 2011, total revenue of ₹52.03 crores and net cash flow amounting to ₹1.98 crores for the year then ended as considered in the Consolidated Financial Statements. The financial statements and other financial information of these subsidiaries have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other auditors.
4. The financial statements also include ₹4.77 crores being the Group's proportionate share in the loss of an associate which has been recognised on the basis of the unaudited financial statements available with the Bank.
5. Without qualifying our report, we invite attention to Note 1 of Schedule 18 regarding the Scheme of Arrangement for the demerger of Enam Securities Private Ltd. with the Bank's subsidiary. For the reasons stated therein, no effect to the proposed Scheme has been given in the accounts.
6. We report that the consolidated financial statements have been prepared by the Bank in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) notified under the Companies (Accounting Standards) Rules, 2006.
7. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Bank and its subsidiaries and to the best of our information and according to the explanations given to us, subject to our comments in paragraph 4 regarding unaudited amount of the associate, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
   (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March, 2011;
   (b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date and
   (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No: 117365W)

**Nalin M. Shah**
Partner
(Membership No. 15860)

Place : Mumbai
Date : 22nd April, 2011

# AXIS BANK LIMITED GROUP - BALANCE SHEET

**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2011**

| | Schedule No. | **As at 31-03-2011 (₹ in Thousands)** | As at 31-03-2010 (₹ in Thousands) |
|---|---|---|---|
| **CAPITAL AND LIABILITIES** | | | |
| Capital | 1 | **4,105,458** | 4,051,741 |
| Reserves & Surplus | 2 | **184,840,608** | 155,837,646 |
| Employees' Stock Options Outstanding (Net) | 17 (5.18) | **-** | 1,734 |
| Deposits | 3 | **1,891,664,314** | 1,412,786,587 |
| Borrowings | 4 | **262,678,824** | 171,695,512 |
| Other Liabilities and Provisions | 5 | **82,377,311** | 61,493,489 |
| **TOTAL** | | **2,425,666,515** | 1,805,866,709 |
| **ASSETS** | | | |
| Cash and Balances with Reserve Bank of India | 6 | **138,861,631** | 94,820,469 |
| Balances with Banks and Money at Call and Short Notice | 7 | **75,224,928** | 57,238,431 |
| Investments | 8 | **717,875,486** | 558,765,456 |
| Advances | 9 | **1,424,078,286** | 1,043,409,464 |
| Fixed Assets | 10 | **22,929,164** | 12,359,927 |
| Other Assets | 11 | **46,697,020** | 39,272,962 |
| **TOTAL** | | **2,425,666,515** | 1,805,866,709 |
| Contingent liabilities | 12 | **4,539,987,592** | 3,182,813,800 |
| Bills for collection | | **324,731,072** | 192,928,684 |
| Significant Accounting Policies and Notes to accounts | 17 & 18 | | |

Schedules referred to above form an integral part of the Consolidated Balance Sheet

**In terms of our report attached.**

**For Deloitte Haskins & Sells**
Chartered Accountants

**Nalin M. Shah**
Partner

**P. J. Oza**
Company Secretary

Date : 22 April, 2011
Place: Mumbai

**R. H. Patil**
Director

**Sushil Kumar Roongta**
Director

**Somnath Sengupta**
Executive Director & CFO

**R. B. L. Vaish**
Director

**S. B. Mathur**
Director

**For Axis Bank Ltd.**

**Adarsh Kishore**
Chairman

**Shikha Sharma**
Managing Director & CEO

**S. K. Chakrabarti**
Deputy Managing Director

# AXIS BANK LIMITED GROUP - PROFIT & LOSS ACCOUNT

**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2011**

| | | Schedule No. | **Year ended 31-03-2011 (₹ in Thousands)** | Year ended 31-03-2010 (₹ in Thousands) |
|---|---|---|---|---|
| I | **INCOME** | | | |
| | Interest earned | 13 | **151,548,566** | 116,390,540 |
| | Other income | 14 | **46,714,492** | 39,642,116 |
| | **TOTAL** | | **198,263,058** | 156,032,656 |
| II | **EXPENDITURE** | | | |
| | Interest expended | 15 | **85,886,082** | 66,326,317 |
| | Operating expenses | 16 | **48,604,739** | 37,623,901 |
| | Provisions and contingencies | 18 (2.1.1) | **30,325,512** | 27,301,025 |
| | **TOTAL** | | **164,816,333** | 131,251,243 |
| III | Less: Share in losses of Associate | | **(47,659)** | - |
| IV | **CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP** | | **33,399,066** | 24,781,413 |
| | Balance in Profit & Loss Account brought forward from previous year | | **33,716,338** | 23,289,540 |
| V | **AMOUNT AVAILABLE FOR APPROPRIATION** | | **67,115,404** | 48,070,953 |
| VI | **APPROPRIATIONS :** | | | |
| | Transfer to Statutory Reserve | | **8,471,227** | 6,286,333 |
| | Transfer to/(from) Investment Reserve | | **(149,372)** | 148,750 |
| | Transfer to Capital Reserve | | **47,630** | 2,239,176 |
| | Transfer to General Reserve | | **3,396,591** | 5,622 |
| | Proposed dividend (includes tax on dividend) | 18 (2.1.6) | **6,704,806** | 5,674,734 |
| | Balance in Profit & Loss Account carried forward | | **48,644,522** | 33,716,338 |
| | **TOTAL** | | **67,115,404** | 48,070,953 |
| VII | **EARNINGS PER EQUITY SHARE** | 18 (2.1.4) | | |
| | (Face value ₹10/- per share) (Rupees) | | | |
| | Basic | | **81.77** | 64.83 |
| | Diluted | | **80.44** | 63.38 |
| | Significant Accounting Policies and Notes to accounts | 17 & 18 | | |
| | Schedules referred to above form an integral part of the Consolidated Profit and Loss Account | | | |

**In terms of our report attached.**

**For Deloitte Haskins & Sells**
Chartered Accountants

**Nalin M. Shah**
Partner

**P. J. Oza**
Company Secretary

Date : 22 April, 2011
Place: Mumbai

**R. H. Patil**
Director

**Sushil Kumar Roongta**
Director

**Somnath Sengupta**
Executive Director & CFO

**R. B. L. Vaish**
Director

**S. B. Mathur**
Director

**For Axis Bank Ltd.**

**Adarsh Kishore**
Chairman

**Shikha Sharma**
Managing Director & CEO

**S. K. Chakrabarti**
Deputy Managing Director

# AXIS BANK LIMITED GROUP - CASH FLOW STATEMENT

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2011**

| | **Year ended 31-03-2011 (₹ in Thousands)** | Year ended 31-03-2010 (₹ in Thousands) |
|---|---|---|
| **Cash flow from operating activities** | | |
| **Net profit before taxes** | **50,971,944** | 38,190,521 |
| **Adjustments for:** | | |
| Depreciation on fixed assets | **2,936,884** | 2,378,717 |
| Depreciation on investments | **992,677** | (222,333) |
| Amortisation of premium on Held to Maturity investments | **605,614** | 829,739 |
| Provision for Non Performing Advances/Investments (including bad debts) | **9,551,195** | 13,570,445 |
| Provision on standard assets | **1,661,564** | (9,100) |
| Provision for wealth tax | **4,558** | 3,483 |
| Provision for interest tax | **2,879** | - |
| Loss on sale of fixed assets | **71,485** | 44,859 |
| Provision for country risk | **24,500** | (15,300) |
| Provision for restructured assets | **150,615** | 564,722 |
| Provision for other contingencies | **412,204** | - |
| Amortisation of deferred employee compensation | **(186)** | (230) |
| | **67,385,933** | 55,335,523 |
| **Adjustments for:** | | |
| (Increase)/Decrease in investments | **(35,421,434)** | (50,022,781) |
| (Increase)/Decrease in advances | **(390,403,391)** | (241,787,053) |
| Increase/(Decrease) in deposits | **478,877,727** | 239,210,026 |
| (Increase)/Decrease in other assets | **(5,587,212)** | 52,335 |
| Increase/(Decrease) in other liabilities & provisions | **17,794,733** | 13,780,002 |
| Direct taxes paid | **(19,369,502)** | (15,069,292) |
| **Net cash flow from operating activities** | **113,276,854** | 1,498,760 |
| **Cash flow from investing activities** | | |
| Purchase of fixed assets | **(13,711,316)** | (4,149,325) |
| (Increase)/Decrease in Held to Maturity Investments | **(125,320,416)** | (46,793,087) |
| Proceeds from sale of fixed assets | **133,710** | 189,680 |
| **Net cash used in investing activities** | **(138,898,022)** | (50,752,732) |

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2011

| | **Year ended 31-03-2011 (₹ *in Thousands*)** | Year ended 31-03-2010 (₹ *in Thousands*) |
|---|---|---|
| **Cash flow from financing activities** | | |
| Proceeds from issue of Subordinated debt, perpetual debts & Upper Tier II instruments (net of repayment) | **(1,625,906)** | 18,214,280 |
| Increase/(Decrease) in borrowings (excluding subordinated debt, perpetual debt & upper Tier II instruments) | **92,609,218** | (1,717,478) |
| Proceeds from issue of share capital | **53,717** | 461,690 |
| Proceeds from share premium (net of share issue expenses) | **2,353,987** | 38,570,041 |
| Payment of dividend | **(5,695,356)** | (4,205,528) |
| **Net cash generated from financing activities** | **87,695,660** | 51,323,005 |
| Effect of exchange fluctuation translation reserve | **(46,833)** | (204,113) |
| Net increase in cash and cash equivalents | **62,027,659** | 1,864,920 |
| Cash and cash equivalents at the beginning of the year | **152,058,900** | 150,193,980 |
| Cash and cash equivalents at the end of the year | **214,086,559** | 152,058,900 |

**Note :**

1. Cash and cash equivalents comprise of cash on hand (including foreign currency notes), balances with Reserve Bank of India, balances with banks and money at call & short notice (refer Schedules 6 and 7 of the Balance Sheet).

**In terms of our report attached.**

**For Deloitte Haskins & Sells**
Chartered Accountants

**Nalin M. Shah**
Partner

**P. J. Oza**
Company Secretary

Date : 22 April, 2011
Place: Mumbai

**R. H. Patil**
Director

**Sushil Kumar Roongta**
Director

**Somnath Sengupta**
Executive Director & CFO

**R. B. L. Vaish**
Director

**S. B. Mathur**
Director

**For Axis Bank Ltd.**

**Adarsh Kishore**
Chairman

**Shikha Sharma**
Managing Director & CEO

**S. K. Chakrabarti**
Deputy Managing Director

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2011

| | As at 31-03-2011 (₹ in Thousands) | As at 31-03-2010 (₹ in Thousands) |
|---|---|---|
| **SCHEDULE 1 - CAPITAL** | | |
| **Authorised Capital** | | |
| 500,000,000 Equity Shares of ₹10/- each. | **5,000,000** | 5,000,000 |
| **Issued, Subscribed and Paid-up capital** | | |
| 410,545,843 (Previous year - 405,174,119) Equity Shares of ₹10/- each fully paid-up | **4,105,458** | 4,051,741 |
| **SCHEDULE 2 - RESERVES AND SURPLUS** | | |
| **I. Statutory Reserve** | | |
| Opening Balance | **19,349,123** | 13,062,790 |
| Additions during the year | **8,471,227** | 6,286,333 |
| | **27,820,350** | 19,349,123 |
| **II. Share Premium Account** | | |
| Opening Balance | **97,695,255** | 59,115,068 |
| Additions during the year | **2,355,535** | 39,064,364 |
| Less: Share issue expenses | **-** | (484,177) |
| | **100,050,790** | 97,695,255 |
| **III. Investment Reserve Account** | | |
| Opening Balance | **149,372** | 622 |
| Additions during the year | **-** | 149,372 |
| Less: Deductions during the year | **(149,372)** | (622) |
| | **-** | 149,372 |
| **IV. General Reserve** | | |
| Opening Balance | **149,005** | 143,383 |
| Additions during the year | **3,396,591** | 5,622 |
| | **3,545,596** | 149,005 |
| **V. Capital Reserve** | | |
| Opening Balance | **4,858,305** | 2,619,129 |
| Additions during the year | **47,630** | 2,239,176 |
| | **4,905,935** | 4,858,305 |
| **VI. Foreign Currency Translation Reserve [refer Schedule 17 (5.6)]** | | |
| Opening Balance | **(79,752)** | 124,361 |
| Additions during the year | **(46,833)** | (204,113) |
| | **(126,585)** | (79,752) |
| **VII. Balance in Profit & Loss Account** | **48,644,522** | 33,716,338 |
| **TOTAL** | **184,840,608** | 155,837,646 |

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2011

| | As at 31-03-2011 (₹ in Thousands) | As at 31-03-2010 (₹ in Thousands) |
|---|---|---|
| **SCHEDULE 3 - DEPOSITS** | | |
| A. I. Demand Deposits | | |
| (i) From banks | **14,305,111** | 13,564,428 |
| (ii) From others | **354,770,292** | 308,058,575 |
| II. Savings Bank Deposits | **408,503,090** | 338,617,974 |
| III. Term Deposits | | |
| (i) From banks | **76,750,855** | 41,073,459 |
| (ii) From others | **1,037,334,966** | 711,472,151 |
| **TOTAL** | **1,891,664,314** | 1,412,786,587 |
| B. I. Deposits of branches in India | **1,826,058,325** | 1,371,598,967 |
| II. Deposits of branches outside India | **65,605,989** | 41,187,620 |
| **TOTAL** | **1,891,664,314** | 1,412,786,587 |

| | As at 31-03-2011 (₹ in Thousands) | As at 31-03-2010 (₹ in Thousands) |
|---|---|---|
| **SCHEDULE 4 - BORROWINGS** | | |
| I. Borrowings in India | | |
| (i) Reserve Bank of India | **-** | - |
| (ii) Other Banks # | **14,237,000** | 4,534,500 |
| (iii) Other institutions & agencies ** | **64,072,286** | 69,317,373 |
| II. Borrowings outside India $ | **184,369,538** | 97,843,639 |
| **TOTAL** | **262,678,824** | 171,695,512 |
| Secured borrowing included in I & II above | **-** | - |

# Borrowings from Other Banks include Subordinated Debt of ₹364.60 crores (previous year ₹384.45 crores) in the nature of Non-Convertible Debentures, Perpetual Debt of ₹Nil (previous year ₹5.00 crores) and Upper Tier II instruments of ₹59.10 crores (previous year ₹64.00 crores) [Also refer Notes 18 (2.1.2) & 18 (2.1.3)]

** Borrowings from Other institutions & agencies include Subordinated Debt of ₹4,966.70 crores (previous year ₹5,101.85 crores) in the nature of Non-Convertible Debentures, Perpetual Debt of ₹214.00 crores (previous year ₹209.00 crores) and Upper Tier II instruments of ₹248.40 crores (previous year ₹243.50 crores) [Also refer Notes 18 (2.1.2) & 18 (2.1.3)]

$ Borrowings outside India include Perpetual Debt of ₹205.14 crores (previous year ₹206.54 crores) and Upper Tier II instruments of ₹935.30 crores (previous year ₹941.48 crores) [Also refer Notes 18 (2.1.3)]

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2011

| | | As at 31-03-2011 (₹ in Thousands) | As at 31-03-2010 (₹ in Thousands) |
|---|---|---|---|
| **SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS** | | | |
| I. | Bills payable | **35,843,209** | 29,104,011 |
| II. | Inter-office adjustments (net) | **-** | - |
| III. | Interest accrued | **4,143,337** | 3,480,104 |
| IV. | Proposed dividend (includes tax on dividend) | **6,678,836** | 5,669,386 |
| V. | Contingent provision against standard assets | **6,296,647** | 4,635,083 |
| VI. | Others (including provisions) | **29,415,282** | 18,604,905 |
| | **TOTAL** | **82,377,311** | 61,493,489 |

| | | | |
|---|---|---|---|
| **SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA** | | | |
| I. | Cash in hand (including foreign currency notes) | **22,082,834** | 19,007,024 |
| II. | Balances with Reserve Bank of India : | | |
| | (i) in Current Account | **116,778,797** | 75,813,445 |
| | (ii) in Other Accounts | **-** | - |
| | **TOTAL** | **138,861,631** | 94,820,469 |

| | | | |
|---|---|---|---|
| **SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE** | | | |
| I. | In India | | |
| | (i) Balance with Banks | | |
| | (a) in Current Accounts | **4,407,510** | 7,922,166 |
| | (b) in Other Deposit Accounts | **49,184,269** | 34,421,529 |
| | (ii) Money at Call and Short Notice | | |
| | (a) With banks | **29,900** | 5,000 |
| | (b) With other institutions | **-** | - |
| | **TOTAL** | **53,621,679** | 42,348,695 |
| II. | Outside India | | |
| | i) in Current Accounts | **4,835,529** | 9,078,381 |
| | ii) in Other Deposit Accounts | **10,658,205** | 5,811,355 |
| | iii) Money at Call & Short Notice | **6,109,515** | - |
| | **TOTAL** | **21,603,249** | 14,889,736 |
| | **GRAND TOTAL (I+II)** | **75,224,928** | 57,238,431 |

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2011

| | | As at 31-03-2011 (₹ in Thousands) | As at 31-03-2010 (₹ in Thousands) |
|---|---|---|---|
| **SCHEDULE 8 - INVESTMENTS** | | | |
| **I.** | **Investments in India in -** | | |
| | (i) Government Securities ## | **441,549,553** | 341,958,753 |
| | (ii) Other approved securities | **-** | - |
| | (iii) Shares | **6,928,717** | 5,295,991 |
| | (iv) Debentures and Bonds | **180,704,920** | 138,232,582 |
| | (v) Investment in Joint Ventures | **342,341** | 390,000 |
| | (vi) Others (Mutual Fund units, CD/CP, NABARD deposits, PTC etc.) @ | **82,618,299** | 66,104,055 |
| | Total Investments in India | **712,143,830** | 551,981,381 |
| **II.** | **Investments outside India in -** | | |
| | (i) Government Securities (including local authorities) | **429,340** | - |
| | (ii) Subsidiaries and/or joint ventures abroad (amount less than ₹1,000 for current year, previous year ₹ Nil) | **-** | - |
| | (iii) Others | **5,302,316** | 6,784,075 |
| | Total Investments outside India | **5,731,656** | 6,784,075 |
| | **GRAND TOTAL (I + II)** | **717,875,486** | 558,765,456 |

## Includes securities costing ₹4,424.90 crores (previous year ₹4,237.60 crores) pledged for availment of fund transfer facility, clearing facility and margin requirements

@ Includes deposits with NABARD ₹4,064.71 crores (previous year ₹3,002.70 crores) and PTC's ₹212.98 crores (previous year ₹351.28 crores) net of depreciation

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2011

| | | | **As at 31-03-2011 (₹ *in Thousands*)** | As at 31-03-2010 (₹ *in Thousands*) |
|---|---|---|---|---|
| **SCHEDULE 9 - ADVANCES** | | | | |
| A. | (i) | Bills purchased and discounted * | **34,812,948** | 34,500,593 |
| | (ii) | Cash credits, overdrafts and loans repayable on demand | **349,803,398** | 260,135,632 |
| | (iii) | Term loans # | **1,039,461,940** | 748,773,239 |
| | **TOTAL** | | **1,424,078,286** | 1,043,409,464 |
| B. | (i) | Secured by tangible assets $ | **1,131,026,880** | 865,761,933 |
| | (ii) | Covered by Bank/Government Guarantees && | **32,394,561** | 16,367,294 |
| | (iii) | Unsecured | **260,656,845** | 161,280,237 |
| | **TOTAL** | | **1,424,078,286** | 1,043,409,464 |
| C. | I. | Advances in India | | |
| | | (i) Priority Sector | **412,891,152** | 299,404,189 |
| | | (ii) Public Sector | **30,039,403** | 32,047,307 |
| | | (iii) Banks | **2,408,096** | 3,825,615 |
| | | (iv) Others | **782,963,737** | 584,824,255 |
| | **TOTAL** | | **1,228,302,388** | 920,101,366 |
| | II. | Advances Outside India | | |
| | | (i) Due from banks | **4,196,520** | 332,996 |
| | | (ii) Due from others - | | |
| | | (a) Bills purchased and discounted | **6,264,497** | 4,316,262 |
| | | (b) Syndicated loans | **70,389,401** | 63,702,125 |
| | | (c) Others | **114,925,480** | 54,956,715 |
| | **TOTAL** | | **195,775,898** | 123,308,098 |
| | **GRAND TOTAL [C I + C II]** | | **1,424,078,286** | 1,043,409,464 |

* Net of borrowings under Bills Rediscounting Scheme ₹1,800 crores (previous year: ₹ Nil)

\# Net of borrowings under Inter Bank Participation Certificate ₹3,401 crores (previous year: ₹ Nil)

$ Includes advances against book debts

&& Includes advances against L/Cs issued by banks

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2011

| | | As at 31-03-2011 (₹ in Thousands) | As at 31-03-2010 (₹ in Thousands) |
|---|---|---|---|
| **SCHEDULE 10 - FIXED ASSETS** | | | |
| I. | Premises | | |
| | **Gross Block** | | |
| | At cost at the beginning of the year | **891,351** | 891,351 |
| | Additions during the year | **8,244,785** | - |
| | Deductions during the year | **(18,796)** | - |
| | TOTAL | **9,117,340** | 891,351 |
| | **Depreciation** | | |
| | As at the beginning of the year | **161,989** | 117,422 |
| | Charge for the year | **46,669** | 44,567 |
| | Deductions during the year | **(10,277)** | - |
| | Depreciation to date | **198,381** | 161,989 |
| | **Net Block** | **8,918,959** | 729,362 |
| II. | Other fixed assets (including furniture & fixtures) | | |
| | **Gross Block** | | |
| | At cost at the beginning of the year | **20,384,691** | 16,650,447 |
| | Additions during the year | **5,810,762** | 4,150,646 |
| | Deductions during the year | **(753,351)** | (416,402) |
| | TOTAL | **25,442,102** | 20,384,691 |
| | Depreciation | | |
| | As at the beginning of the year | **9,327,953** | 7,175,660 |
| | Charge for the year | **2,890,215** | 2,334,150 |
| | Deductions during the year | **(556,674)** | (181,857) |
| | Depreciation to date | **11,661,494** | 9,327,953 |
| | **Net Block** | **13,780,608** | 11,056,738 |
| III. | CAPITAL WORK-IN-PROGRESS (including capital advances) | **229,597** | 573,827 |
| | **GRAND TOTAL (I + II + III)** | **22,929,164** | 12,359,927 |
| **SCHEDULE 11 - OTHER ASSETS** | | | |
| I. | Inter-office adjustments (net) | **-** | - |
| II. | Interest Accrued | **17,165,984** | 12,771,048 |
| III. | Tax paid in advance/tax deducted at source (Net of Provisions) | **470,277** | 688,237 |
| IV. | Stationery and stamps | **11,794** | 9,698 |
| V. | Non banking assets acquired in satisfaction of claims | **53,174** | 21,724 |
| VI. | Others # | **28,995,791** | 25,782,255 |
| | **TOTAL** | **46,697,020** | 39,272,962 |

# Includes deferred tax assets of ₹816.87 crores (previous year ₹611.39 crores)

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2011

| | | **As at 31-03-2011 (₹ in Thousands)** | As at 31-03-2010 (₹ in Thousands) |
|---|---|---|---|
| **SCHEDULE 12 - CONTINGENT LIABILITIES** | | | |
| I. | Claims against the Group not acknowledged as debts | **2,344,299** | 2,712,757 |
| II. | Liability for partly paid investments | **-** | - |
| III. | Liability on account of outstanding forward exchange and derivative contracts: | | |
| | (a) Forward Contracts | **1,940,496,939** | 1,265,355,295 |
| | (b) Interest Rate Swaps, Currency Swaps, Forward Rate Agreement & Interest Rate Futures | **1,647,016,628** | 1,317,574,459 |
| | (c) Foreign Currency Options | **141,258,629** | 56,162,649 |
| | TOTAL (a + b + c) | **3,728,772,196** | 2,639,092,403 |
| IV. | Guarantees given on behalf of constituents | | |
| | In India | **464,332,544** | 332,315,553 |
| | Outside India | **76,278,216** | 41,767,220 |
| V. | Acceptances, endorsements and other obligations | **249,276,960** | 164,634,485 |
| VI. | Other items for which the Group is contingently liable | **18,983,377** | 2,291,382 |
| | **GRAND TOTAL (I + II + III + IV + V + VI)** | **4,539,987,592** | 3,182,813,800 |

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2011

| | | Year Ended 31-03-2011 (₹ in Thousands) | Year Ended 31-03-2010 (₹ in Thousands) |
|---|---|---|---|
| **SCHEDULE 13 - INTEREST EARNED** | | | |
| I. | Interest/discount on advances/bills | **104,031,042** | 79,866,039 |
| II. | Income on investments | **44,386,841** | 34,283,084 |
| III. | Interest on balances with Reserve Bank of India and other inter-bank funds | **1,826,199** | 1,200,049 |
| IV. | Others | **1,304,484** | 1,041,368 |
| | **TOTAL** | **151,548,566** | 116,390,540 |
| **SCHEDULE 14 - OTHER INCOME** | | | |
| I. | Commission, exchange and brokerage | **33,967,236** | 25,845,538 |
| II. | Profit /(Loss) on sale of Investments (net) | **3,677,215** | 7,366,828 |
| III. | Profit/(Loss) on sale of fixed assets (net) | **(71,485)** | (44,859) |
| IV. | Profit on exchange transactions/Derivatives transactions (net) | **5,636,045** | 4,458,991 |
| V. | Income earned by way of dividends etc. from subsidiaries/companies and/or joint venture abroad/in India | **-** | - |
| VI. | Miscellaneous Income<br>[including recoveries on account of advances/investments/derivative receivables written off in earlier years ₹325.22 crores (previous year ₹174.43 crores) and profit on account of portfolio sell downs/securitisation ₹17.96 crores (previous year ₹22.45 crores)] | **3,505,481** | 2,015,618 |
| | **TOTAL** | **46,714,492** | 39,642,116 |
| **SCHEDULE 15 - INTEREST EXPENDED** | | | |
| I. | Interest on deposits | **74,952,925** | 57,136,277 |
| II. | Interest on Reserve Bank of India/Inter-bank borrowings | **1,609,768** | 1,493,647 |
| III. | Others @ | **9,323,389** | 7,696,393 |
| | **TOTAL** | **85,886,082** | 66,326,317 |
| | @ Including interest on repos & subordinated debt | | |
| **SCHEDULE 16 - OPERATING EXPENSES** | | | |
| I. | Payments to and provisions for employees | **17,458,025** | 13,597,865 |
| II. | Rent, taxes and lighting | **6,920,585** | 5,059,547 |
| III. | Printing and stationery | **1,106,365** | 836,241 |
| IV. | Advertisement and publicity | **804,167** | 472,694 |
| V. | Depreciation on bank's property | **2,936,884** | 2,378,717 |
| VI. | Directors' fees, allowance and expenses | **7,831** | 6,249 |
| VII. | Auditors' fees and expenses | **9,885** | 8,497 |
| VIII. | Law charges | **133,752** | 148,154 |
| IX. | Postage, telegrams, telephones, etc. | **2,020,463** | 1,776,975 |
| X. | Repairs and maintenance | **3,892,076** | 3,043,758 |
| XI. | Insurance | **1,850,723** | 1,415,518 |
| XII. | Other expenditure | **11,463,983** | 8,879,686 |
| | **TOTAL** | **48,604,739** | 37,623,901 |

## 17 Significant accounting policies for the year ended 31 March, 2011

(Currency: In Indian Rupees)

### 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 consolidates its subsidiaries in accordance with AS 21, Consolidated Financial Statements notified under the Companies (Accounting Standards) Rules, 2006, 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. Further, the Bank accounts for investments in associates in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements, notified under the Companies (Accounting Standard) Rules, 2006, by the equity method of accounting.

### 2 Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting, and comply with the generally accepted accounting principles, statutory requirements prescribed under the Banking Regulation Act, 1949, the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006, to the extent applicable and current practices prevailing within the banking industry in India.

The consolidated financial statements present the accounts of Axis Bank Limited with its following subsidiaries and associates:

| Name | Relation | Country of Incorporation | Ownership Interest |
|---|---|---|---|
| Axis Securities and Sales 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 | 100.00% |
| Axis Asset Management Company Ltd. | Subsidiary | India | 100.00% |
| Bussan Auto Finance India Private Ltd.* | Associate | India | 26.00% |

The audited financial statements of the above subsidiaries and the unaudited financial statements of the associate have been drawn up to the same reporting date as that of the Bank, i.e. 31 March, 2011.

* This investment does not fall within the definition of a Joint Venture as per AS-27, Financial Reporting of Interest in Joint Ventures, notified under the Companies (Accounting Standards) Rules, 2006, and the said accounting standard is thus not applicable. However, pursuant to RBI guidelines, the Bank has classified the same as investment in joint ventures in the balance sheet. Such investment has been accounted as an Associate from the current year in line with AS-23, Accounting for Investment in Associates in Consolidated Financial Statements notified under the Companies (Accounting Standards) Rules, 2006.

### 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, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. 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. **Changes in accounting estimates**

**4.1 *Change in estimated useful life of fixed assets***

Group

During the year, the Group has revised the estimated useful lives of the following type of fixed assets:

- Modems, scanners, routers, hubs and switches from 10 years to 5 years
- Video conferencing equipment and printers from 10 years to 3 years
- Racks/cabinets for IT equipment from 16 years to 5 years
- Owned premises from 20 years to 61 years

As a result of the aforesaid revisions, the depreciation charge for the year is higher by ₹16.22 crores with a corresponding decrease in the net block of fixed assets.

**4.2 *Change in estimate of lease term for operating leases***

Axis Bank Ltd.

During the current year, the Bank has revised its estimate of lease term in the case assets taken on operating leases to include the secondary period of the lease involving further payment of lease rentals based on continuation of the lease at the option of the Bank as against the primary lease period as considered hitherto. As a result the operating expenses for the year are higher by ₹93.04 crores with a consequent reduction to the profit before tax.

5. **Significant accounting policies**

**5.1 *Investments***

*Classification*

In accordance with the RBI guidelines, investments are classified at the date 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 reclassified as AFS securities as on that date.

Investments that the Bank intends to hold till maturity are classified under the HTM category.

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, 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 are carried at acquisition cost. Any premium on acquisition over face value is amortised on a constant yield to maturity basis over the remaining period to maturity. 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 are marked to market. The market/fair value of quoted investments included in the 'Available for Sale' and 'Held for Trading' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges, SGL account transactions, price list of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association of India ('FIMMDA'), 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 book value of individual securities is not changed consequent to the periodic valuation of investments.

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:

- market value of unquoted Government Securities is derived based on the Prices/Yield to Maturity ('YTM') rate for Government Securities of equivalent maturity as notified by FIMMDA jointly with the PDAI at periodic intervals;
- in case of Central Government Securities, which do not qualify for SLR requirement, the market price is derived by adding the appropriate mark up to the Base Yield Curve of Central Government Securities as notified by FIMMDA;
- market value of unquoted State Government Securities is derived by adding the appropriate mark up above the Base Yield Curve of the Central Government Securities of equivalent maturity as notified by the FIMMDA/PDAI at periodic intervals;
- in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly, the market price is derived based on the YTM for Government Securities as notified by FIMMDA/PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA is adopted for this purpose;
- in case of preference shares where dividend is not received regularly, the price derived on the basis of YTM is discounted in accordance with the RBI guidelines;
- in case of bonds and debentures (including PTCs) where interest is not received regularly, 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 Re.1 per company;

- units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per 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 Re.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
- investments in Credit Linked Notes ('CLNs'), are valued based on current quotations where the same are available. In the absence of quotes, the same are valued based on internal valuation methodology using appropriate mark-up and other estimates such as price of the underlying Foreign Currency Convertible Bond (FCCB), rating category of the CLN etc.

Investments in subsidiaries/joint ventures are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guideline.

Realised gains on investments under the HTM category are recognised in the Profit and Loss Account and subsequently appropriated to Capital Reserve account in accordance with the RBI guidelines. Losses are recognised in the Profit and Loss Account.

All investments are accounted for on settlement date except investments in equity shares which are accounted for on trade date as the corporate actions are effected in equity on the trade date.

*Repurchase and reverse repurchase transactions*

Repurchase and reverse repurchase transactions [excluding those conducted under the Liquidity Adjustment Facility (LAF) with RBI] are accounted as collateralised borrowing and lending respectively. Such transactions done under LAF are accounted as outright sale and outright purchase respectively. However, depreciation in their value, if any, compared to their original cost, is recognised in the Profit and Loss Account.

### *5.2 Stock in Trade*

Axis Securities and Sales Ltd.

Securities acquired with the intention of holding for short-term holding and trading are classified as stock-in-trade. The securities held as stock-in-trade are valued at lower of cost arrived at on first in first out basis or marketable fair value.

### *5.3 Advances*

Axis Bank 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 and floating provisions. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. 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.

Loss assets and unsecured portion of doubtful assets are provided/written off as per the extant RBI guidelines. NPAs are identified by periodic appraisals of the loan portfolio by the Management.

For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring.

A general provision @ 0.25% in case of direct advances to agricultural and SME sectors, 1% in respect of advances classified as commercial real estate, 2% in respect of housing loans at teaser rates and 0.40% for all other advances is made as prescribed by the RBI.

### 5.4 *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). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and 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 country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

### 5.5 *Securtisation*

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 securtisation, 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.

Gain on securtisation transaction is recognised over the period of the underlying securities issued by the SPV. Loss on securtisation is immediately debited to the Profit and Loss Account.

### 5.6 *Foreign currency transactions*

Axis Bank Ltd.

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 branches classified as non-integral foreign operations are translated as follows:

- Assets and liabilities (both monetary and non-monetary as well as contingent liabilities) are translated at closing rates notified by FEDAI at the year end.
- 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.

Outstanding forward exchange contracts (excluding currency swaps undertaken to hedge foreign currency assets/liabilities and funding swaps which are not revalued) and spot exchange contracts are revalued at year end exchange rates notified by FEDAI for specified maturities and at interpolated rates for contract of interim maturities. The resulting gains or losses on revaluation are included in the Profit and Loss Account in accordance with RBI/FEDAI guidelines. The forward exchange contracts of longer maturities where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the swap curves in respective currencies. The resultant gains or losses are recognised in the Profit and Loss Account.

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 foreign exchange contracts/options, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

Axis Private Equity Ltd. and Axis Asset Management Company Ltd.

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are translated at the closing rate on that date. The exchange differences, if any, either on settlement or translation are recognised in Profit and Loss Account.

### *5.7 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 segregated 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 or other liabilities respectively. 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 derivative transactions are accounted for pursuant to the principles of hedge accounting. The premium on option contracts is accounted for as per FEDAI guidelines. Pursuant to the RBI guidelines any receivables under derivatives contracts which remain overdue for more than 90 days are reversed through the Profit and Loss Account and are held in a separate Suspense Account.

### *5.8 Revenue recognition*

Axis Bank Ltd.

Interest income is recognised on an accrual basis except interest income on non-performing assets, which is recognised on receipt in accordance with Accounting Standard 9 and the RBI guidelines.

Fees and commission income is recognised when due, except for guarantee commission which is recognised pro-rata over the period of the guarantee.

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.

Gain or loss arising on sale of NPAs is accounted as per the guidelines prescribed by the RBI, which require provisions to be made for any deficit (where sale price is lower than the net book value), while surplus (where sale price is higher than the net book value) is ignored.

Arrangership/syndication fee is accounted for on completion of the agreed service and when right to receive is established.

**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. Insurance policy administration fee income is recognised based on the proportionate completion method.

Interest Income on fixed deposits are recognised on an accrual basis.

Brokerage income in relation to stock broking activity is recognised on a trade date basis. Gains/losses on dealing in securities are recognised on a trade date basis. Prepaid subscription fees is recognised on completion of validity period or utilization of complementary turnover limit whichever is earlier.

Trusteeship 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.

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.

Portfolio Management Fees are recognised on an accrual basis as per the terms of the contract with the customers.

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

Marketing advisory fees are recognised on an accrual basis.

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.

***5.9 Scheme expenses***

Axis Asset Management Company Ltd.

*Fund Expense*

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.

***5.10 Fund raising expenses***

Axis Private Equity Ltd.

The Company has been following the practice of recovering expenses incurred towards fund raising on behalf of Axis Infrastructure Fund, as per the practice followed in the private equity industry. Such expenses are recovered from the Fund after the fund raising exercise is completed and the Fund is established.

***5.11 Fixed assets and depreciation***

Group

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes freight, 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 (including on assets given on operating lease) is provided on the straight-line method from the date of addition. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the Management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter, then depreciation is provided at a higher rate based on the Management's estimate of the useful life/remaining useful life.

Pursuant to this policy, depreciation has been provided using the following estimated useful lives:

| Asset | Estimated useful life |
|---|---|
| Owned premises | 61 years |
| Assets given on operating lease | 20 years |
| Computer hardware including printers | 3 years |
| Application software | 5 years |
| Vehicles | 4 years |
| EPABX, telephone instruments | 8 years |
| CCTV and video conferencing equipment | 3 years |
| Mobile phone | 2 years |
| Locker cabinets/cash safe/strong room door | 16 years |
| Modem, scanner, routers, hubs, switches, racks/cabinets for IT equipment | 5 years |
| Assets at staff residence | 3 years |
| All other fixed assets | 10 years |

All fixed assets individually costing less than ₹5,000 are fully depreciated in the year of installation.

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.

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.

### *5.12 Lease transactions*

Axis Bank Ltd.

Assets given on operating lease are capitalised at cost. Rentals received by the Bank are recognised in the Profit and Loss Account on accrual basis.

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.

### *5.13 Retirement and other employee benefits*

Group

**Provident Fund**

Retirement benefit in the form of provident fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the fund are due. There are no other obligations other than the contribution payable to the trust.

Axis Bank Ltd.

**Gratuity**

The Bank contributes towards gratuity fund (defined benefit retirement plan) administered by the Life Insurance Corporation of India ('LIC'), Metlife Insurance Company Limited ('Metlife'), HDFC Standard Life Insurance Company Limited ('HDFC Life') and ICICI Prudential Life Insurance Company Limited ('ICICI Pru') for eligible employees. Under this scheme, the settlement obligations remain with the Bank, although LIC/ Metlife/HDFC Life/ ICICI Pru 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.

**Leave Encashment**

Short term compensated absences are provided for based on estimates. The Bank provides leave encashment benefit (long term), which is a defined benefit scheme 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.

**Superannuation**

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.

Actuarial gains/losses are immediately taken to Profit and Loss Account and are not deferred.

Axis Securities and Sales Ltd. and Axis Asset Management Company Ltd.

**Gratuity**

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.

Axis Trustee Services Ltd.

**Gratuity**

Gratuity liability is computed and accrued by the Company in accordance with Payment of Gratuity Act, 1972.

**Leave Encashmen**t

The Company has made provision for leave encashment to its employee as per Company policy.

Axis Securities and Sales Ltd.

**Leave Encashment**

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done at the end of each financial year, using the Projected Unit Credit Method.

Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

### *5.14 Debit/Credit card reward points*

Axis Bank Ltd.

The Bank estimates the probable redemption of debit and credit card 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 Income tax Act, 1961. Deferred income taxes reflects 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 current tax assets against current tax liabilities 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 that such deferred tax asset can be realised against future profits.

### *5.16 Share issue expenses*

Axis Bank Ltd.

Share issue expenses are adjusted from share premium account.

### *5.17 Earnings per share*

The Group reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as notified by the Companies (Accounting Standards) Rules, 2006. 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.

### *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 Bank follows the intrinsic value method to account for its stock based employee compensation plans as per the Guidance Note on 'Accounting for Employee Share-based Payments' issued by the ICAI. 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 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 the 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.

## 18 Notes forming part of the consolidated financial statements for the year ended 31 March, 2011

*(Currency: In Indian Rupees)*

1 On 17 November, 2010, the Board of Directors of the Bank approved the acquisition of certain businesses undertaken by Enam Securities Private Limited (ESPL) through its wholly-owned subsidiary Axis Securities and Sales Limited (ASSL), by way of a demerger. It is envisaged that these businesses will be transferred to ASSL, pursuant to a Scheme of Arrangement, as may be approved by the relevant High Courts under Sections 391 to 394 and other relevant provisions of the Companies Act, 1956 and subject to receipt of necessary requisite approvals. The appointed date for the purpose of the Demerger under the Scheme shall be 1 April, 2010. The valuation of the ESPL business was assessed at ₹2,067 crores and in consideration for the demerger, the Bank will issue shares in the ratio of 5.7 equity shares of the Bank (aggregating 13,782,600 equity shares) of the face value of ₹10 each for every 1 equity share (aggregating 2,418,000 equity shares) of ₹10 each held by the shareholders of ESPL.

2 **Other Disclosures**

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

(₹ *in crores*)

| **For the year ended** | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Provision for income tax | | |
| - Current tax for the year | **1,958.34** | 1,495.27 |
| - Deferred tax for the year | **(205.48)** | (154.36) |
| Provision for fringe benefit tax | **(0.34)** | - |
| | **1,752.52** | 1,340.91 |
| Provision for wealth tax | **0.46** | 0.35 |
| Provision for interest tax | **0.29** | - |
| Provision for non performing advances & investments (including bad debts written off and write backs) | **955.12** | 1,357.04 |
| Provision for restructured assets | **15.06** | 56.47 |
| Provision towards standard assets | **166.16** | (0.91) |
| Provision for depreciation in value of investments | **99.27** | (22.23) |
| Provision for country risk | **2.45** | (1.53) |
| Provision for other contingencies | **41.22** | - |
| **Total** | **3,032.55** | **2,730.10** |

2.1.2 The Bank has not raised any subordinated debt during the year ended 31 March, 2011.

During the year ended 31 March, 2010, the Bank raised subordinated debt of ₹2,000.00 crores, the details of which are set out below:

| **Date of allotment** | **Period** | **Coupon** | **Amount** |
|---|---|---|---|
| 16 June, 2009 | 120 months | 9.15% | ₹2,000.00 crores |

During the year ended 31 March, 2011, the Bank redeemed subordinated debt of ₹155 crores, the details of which are set out below:

| **Date of maturity** | **Period** | **Coupon** | **Amount** |
|---|---|---|---|
| 4 June, 2010 | 72 months | 5.75% | ₹150.00 crores |
| 20 June, 2010 | 93 months | 9.05% | ₹5.00 crores |

During the year ended 31 March, 2010, the Bank redeemed subordinated debt of ₹30.00 crores, the details of which are set out below:

| Date of maturity | Period | Coupon | Amount |
|---|---|---|---|
| 26 April, 2009 | 69 months | 6.50% | ₹30.00 crores |

2.1.3 The Bank has not raised any hybrid capital during the year ended 31 March, 2011 and year ended 31 March, 2010.

2.1.4 Earnings Per Share ('EPS')

The details of EPS computation is set out below:

| **As at** | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Basic and Diluted earnings for the year (Net profit after tax) (₹ *in crores*) | **3,339.91** | 2,478.14 |
| Basic weighted average no. of shares (*in crores*) | **40.85** | 38.23 |
| Add: Equity shares for no consideration arising on grant of stock options under ESOP (*in crores*) | **0.67** | 0.87 |
| Diluted weighted average no. of shares (*in crores*) | **41.52** | 39.10 |
| Basic EPS (₹) | **81.77** | 64.83 |
| Diluted EPS (₹) | **80.44** | 63.38 |
| Nominal value of shares (₹) | **10.00** | 10.00 |

Dilution of equity is on account of 6,721,352 stock options (previous year 8,708,581).

2.1.5 Employee Stock Options Scheme ('the Scheme')

In February 2001, pursuant to the approval of the shareholders at the Extraordinary General Meeting, the Bank approved an Employee Stock Option Scheme. Under the Scheme, the Bank is authorized to issue upto 13,000,000 equity shares to eligible employees. Eligible employees are granted an option to purchase shares subject to vesting conditions. The options vest in a graded manner over 3 years. The options can be exercised within 3 years from the date of the vesting. Further, over the period from June 2004 to June 2010, pursuant to the approval of the shareholders at Annual General Meetings, the Bank approved an ESOP scheme for additional options aggregating to 27,517,400. Within the overall ceiling of 40,517,400 stock options approved for grant by the shareholders as stated earlier, the Bank is also authorised to issue options to employees and directors of the subsidiary companies.

33,707,690 options have been granted under the Scheme till the previous year ended 31 March, 2010.

On 20 April, 2010, the Bank granted 2,723,500 stock options (each option representing entitlement to one equity share of the Bank) to its employees and the MD & CEO. These options can be exercised at a price of ₹1,159.30 per option. Further, on 7 and 8 June, 2010, the Bank also granted 10,000 and 181,700 stock options (each option representing entitlement to one equity share of the Bank) to an employee (on joining the Bank) and employees of Axis Asset Management Company Limited, a subsidiary of the Bank respectively. These options can be exercised at a price of ₹1,245.45 and ₹1,214.80 per option respectively.

Stock option activity under the Scheme for the year ended 31 March, 2011 is set out below:

| | Options outstanding | Range of exercise prices (₹) | Weighted average exercise price (₹) | Weighted average remaining contractual life (Years) |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 13,897,518 | 97.62 to 907.25 | 514.27 | 2.87 |
| Granted during the year | 2,915,200 | 1,159.30 to 1,245.45 | 1,163.05 | - |
| Forfeited during the year | (295,348) | 232.10 to 1,214.80 | 658.88 | - |
| Expired during the year | (23,128) | 97.62 to 319.00 | 264.72 | - |
| Exercised during the year | (5,371,724) | 97.62 to 824.40 | 448.22 | - |
| Outstanding at the end of the year | **11,122,518** | **232.10 to 1,245.45** | **712.90** | **2.86** |
| Exercisable at the end of the year | 4,479,300 | 232.10 to 907.25 | 525.53 | 1.49 |

The weighted average share price in respect of options exercised during the year was ₹1,324.47.

Stock option activity under the Scheme for the year ended 31 March, 2010 is set out below:

| | Options outstanding | Range of exercise prices (₹) | Weighted average exercise price (₹) | Weighted average remaining contractual life (Years) |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 13,852,974 | 39.77 to 824.40 | 459.87 | 2.95 |
| Granted during the year | 4,413,990 | 503.25 to 907.25 | 513.15 | - |
| Forfeited during the year | (252,757) | 97.62 to 824.40 | 356.51 | - |
| Expired during the year | (24,320) | 39.77 to 232.10 | 212.48 | - |
| Exercised during the year | (4,092,369) | 39.77 to 824.40 | 330.99 | - |
| Outstanding at the end of the year | **13,897,518** | **97.62 to 907.25** | **514.27** | **2.87** |
| Exercisable at the end of the year | 5,599,878 | 97.62 to 824.40 | 434.75 | 1.58 |

The weighted average share price in respect of options exercised during the year was ₹964.16.

*Fair Value Methodology*

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

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| **Net Profit (as reported) (₹ *in crores*)** | **3,339.91** | 2,478.14 |
| Add: Stock based employee compensation expense included in net income (₹ *in crores*) | **-** | - |
| Less: Stock based employee compensation expense determined under fair value based method (proforma) (₹ *in crores*) | **(107.97)** | (92.75) |
| **Net Profit (Proforma) (₹ *in crores*)** | **3,231.94** | 2,385.39 |
| **Earnings per share: Basic (in ₹)** | | |
| As reported | **81.77** | 64.83 |
| Proforma | **79.12** | 62.40 |
| **Earnings per share: Diluted (in ₹)** | | |
| As reported | **80.44** | 63.38 |
| Proforma | **77.84** | 61.01 |

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

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Dividend yield | **1.24% to 1.32%** | 1.32% |
| Expected life | **2-4 years** | 2-4 years |
| Risk free interest rate | **5.98% to 7.17%** | 3.87% to 6.80% |
| Volatility | **54.72% to 61.66%** | 54.00% to 67.11% |

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

The weighted average fair value of options granted during the year ended 31 March, 2011 is ₹485.98 (previous year ₹205.72).

2.1.6 Dividend paid on shares issued on exercise of stock options

The Bank may allot shares between the balance sheet date and record date for the declaration of dividend pursuant to the exercise of any employee stock options. These shares will be eligible for full dividend for the year ended 31 March, 2011, if approved at the ensuing Annual General Meeting. Dividend relating to these shares has not been recorded in the current year.

Appropriation to proposed dividend during the year ended 31 March, 2011 includes dividend of ₹2.47 crores (previous year ₹0.51 crores) paid pursuant to exercise of 1,766,860 employee stock options after the previous year end and record date for declaration of dividend for the year ended 31 March, 2010.

2.1.7 Segmental reporting

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

| Segment | Principal Activities |
|---|---|
| Treasury | Treasury operations include investments in sovereign and corporate debt, equity and mutual funds, trading operations, derivative trading and foreign exchange operations on the proprietary account and for customers and central funding. |
| Retail Banking | Constitutes lending to individuals/small businesses subject to the orientation, product and granularity criterion and also includes low value individual exposures not exceeding the threshold limit of ₹5 crores as defined by RBI. Retail Banking activities also include liability products, card services, internet banking, ATM services, depository, financial advisory services and NRI services. |
| Corporate/Wholesale Banking | Includes corporate relationships not included under Retail Banking, corporate advisory services, placements and syndication, management of public issue, project appraisals, capital market related services and cash management services. |
| Other Banking Business | Includes para banking activities* like third party product distribution and other banking transactions not covered under any of the above three segments. |

* Regrouped from retail banking segment in the previous year

The operations of Axis Securities and Sales Ltd. and Axis Trustee Services Ltd. have been classified under the 'Retail Banking' and 'Corporate/Wholesale Banking' segments respectively. The operations of Axis Private Equity Ltd., Axis Asset Management Company Ltd. and Axis Mutual Fund Trustee Ltd. have been classified under the 'Other Banking Business' segment.

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

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

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

Segmental results are set out below:

*(₹ in crores)*

| | 31 March, 2011 | | | | |
|---|---|---|---|---|---|
| | **Treasury** | **Corporate/ Wholesale Banking** | **Retail Banking** | **Other Banking Business** | **Total** |
| **Segment Revenue** | | | | | |
| Gross interest income (external customers) | 4,751.66 | 7,082.97 | 3,320.18 | 0.05 | 15,154.86 |
| Other income | 1,122.51 | 2,299.98 | 995.95 | 253.01 | 4,671.45 |
| **Total income as per Profit and Loss Account** | **5,874.17** | **9,382.95** | **4,316.13** | **253.06** | **19,826.31** |
| Add/(less) inter segment interest income | 19,015.50 | 2,378.68 | 4,541.98 | 0.48 | 25,936.64 |
| **Total segment revenue** | **24,889.67** | **11,761.63** | **8,858.11** | **253.54** | **45,762.95** |
| Less: Interest expense (external customers) | 5,744.36 | 147.61 | 2,694.99 | 1.65 | 8,588.61 |
| Less: Inter segment interest expenses | 17,832.24 | 5,554.07 | 2,550.33 | - | 25,936.64 |
| Less: Operating expenses | 395.60 | 1,437.94 | 2,863.33 | 163.60 | 4,860.47 |
| Less: Unallocated expenses | | | | | - |
| **Operating profit** | **917.47** | **4,622.01** | **749.46** | **88.29** | **6,377.23** |
| Less: Provision for non performing assets/Others | 140.53 | 725.89 | 412.86 | 0.75 | 1,280.03 |
| **Segment result** | **776.94** | **3,896.12** | **336.60** | **87.54** | **5,097.20** |
| Less: Provision for Tax | | | | | 1,752.52 |
| Less: Share of Loss in Associate | | | | | 4.77 |
| Extraordinary profit/loss | | | | | - |
| **Net Profit** | | | | | **3,339.91** |
| Segment assets | 94,250.01 | 104,305.24 | 42,917.49 | 223.61 | 241,696.35 |
| Unallocated assets | | | | | 870.30 |
| **Total assets** | | | | | **242,566.65** |
| Segment liabilities | 112,085.34 | 46,462.76 | 64,345.52 | 38.42 | 222,932.04 |
| Unallocated liabilities | | | | | 740.00 |
| **Total liabilities** | | | | | **223,672.04** |
| **Net assets** | **(17,835.33)** | **57,842.48** | **(21,428.03)** | **185.19** | **18,894.61** |

(₹ *in crores*)

| | 31 March, 2010 | | | | |
|---|---|---|---|---|---|
| | **Treasury** | **Corporate/ Wholesale Banking** | **Retail Banking** | **Other Banking Business** | **Total** |
| **Segment Revenue** | | | | | |
| Gross interest income (external customers) | 3,651.30 | 4,966.70 | 3,020.66 | 0.39 | 11,639.05 |
| Other income | 1,299.83 | 1,550.91 | 914.79 | 198.68 | 3,964.21 |
| **Total income as per Profit and Loss Account** | **4,951.13** | **6,517.61** | **3,935.45** | **199.07** | **15,603.26** |
| Add/(less) inter segment interest income | 13,864.92 | 1,401.42 | 3,831.18 | 0.20 | 19,097.72 |
| **Total segment revenue** | **18,816.05** | **7,919.03** | **7,766.63** | **199.27** | **34,700.98** |
| Less: Interest expense (external customers) | 4,227.93 | - | 2,403.74 | 0.96 | 6,632.63 |
| Less: Inter segment interest expenses | 13,271.39 | 3,976.06 | 1,850.27 | - | 19,097.72 |
| Less: Operating expenses | 296.27 | 923.19 | 2,407.39 | 135.54 | 3,762.39 |
| Less: Unallocated expenses | | | | | - |
| **Operating profit** | **1,020.46** | **3,019.78** | **1,105.23** | **62.77** | **5,208.24** |
| Less: Provision for non performing assets/Others | (4.15) | 626.09 | 766.90 | 0.35 | 1,389.19 |
| **Segment result** | **1,024.61** | **2,393.69** | **338.33** | **62.42** | **3,819.05** |
| Less: Provision for Tax | | | | | 1,340.91 |
| Extraordinary profit/loss | | | | | - |
| **Net Profit** | | | | | **2,478.14** |
| Segment assets | 72,181.00 | 68,816.74 | 38,855.62 | 45.54 | 179,898.90 |
| Unallocated assets | | | | | 687.77 |
| **Total assets** | | | | | **180,586.67** |
| Segment liabilities | 71,953.65 | 35,677.82 | 56,323.03 | 12.49 | 163,966.99 |
| Unallocated liabilities | | | | | 630.74 |
| **Total liabilities** | | | | | **164,597.73** |
| **Net assets** | **227.35** | **33,138.92** | **(17,467.41)** | **33.05** | **15,988.94** |

Geographic Segments

(₹ *in crores*)

| | **Domestic** | | **International** | | **Total** | |
|---|---|---|---|---|---|---|
| | **31 March, 2011** | 31 March, 2010 | **31 March, 2011** | 31 March, 2010 | **31 March, 2011** | 31 March, 2010 |
| Revenue | **18,718.24** | 14,998.90 | **1,108.07** | 604.36 | **19,826.31** | 15,603.26 |
| Assets | **220,322.02** | 166,665.25 | **22,244.63** | 13,921.42 | **242,566.65** | 180,586.67 |

2.1.8 Related party disclosure

The related parties of the Bank are broadly classified as:

a) *Promoters*

The Bank has identified the following entities as its Promoters.

- Administrator of the Specified Undertaking of the Unit Trust of India (UTI-1)
- Life Insurance Corporation of India (LIC)
- General Insurance Corporation and four Government-owned general insurance companies - New India Assurance Co. Ltd., National Insurance Co. Ltd., United India Insurance Co. Ltd. and The Oriental Insurance Co. Ltd.

b) *Key Management Personnel*

- Mrs. Shikha Sharma (Managing Director & Chief Executive Officer)
- Mr. M. M. Agrawal (Erstwhile Deputy Managing Director) upto 31 August 2010
- Mr. Sisir Kumar Chakrabarti (Deputy Managing Director) with effect from 27 September 2010

c) *Relatives of Key Management Personnel*

Mr. Sanjaya Sharma, Mrs. Usha Bharadwaj, Mr. Tilak Sharma, Ms. Tvisha Sharma, Dr. Sanjiv Bharadwaj, Dr. Prashant Bharadwaj, Dr. Brevis Bharadwaj, Dr. Reena Bharadwaj, Mrs. Bharti Agrawal, Mr. Vedprakash Agrawal, Mrs. Gayatri Devi Agrawal, Mr. Amit M. Agrawal, Mrs. Rinki Agrawal, Master Kaustubh Agrawal, Ms. Prashasti Agrawal, Mr. Anand Agrawal, Mr. Praveen Agrawal, Mrs. Rekha Agrawal, Mrs. Renu Agrawal, Mrs. Meenu Agrawal, Mrs. Swapna Chakraborty, Mrs. Shikha Bhattacharya, Ms. Shila Chakraborty, Mr. Hirendra Nath Chakraborty, Mr. Rajat Chakraborty, Mrs. Devikalpa Chakraborty (Kundu), Master Ahan Chakraborty, Mr. Nabakumar Chakraborty, Mr. Prabir Chakraborty, Mrs. Minati Chakraborty, Mrs. Krishna Chakraborty, Mrs. Sipra Chakraborty, Mr. AsimKumar Chakraborty, Mr. Arunabha Bhattacharya

d) *Associate*

- Bussan Auto Finance India Private Limited

  Based on RBI guidelines, details of transactions with Associates are not disclosed since there is only one entity/party in this category. [refer Schedule 17(2)]

The details of transactions of the Bank with its related parties during the year ended 31 March, 2011 are given below:

(₹ *in crores*)

| Items/Related Party | Promoters | Key Management Personnel | Relatives of Key Management Personnel | Total |
|---|---|---|---|---|
| Dividend Paid | 184.65 | 0.03 | - | **184.68** |
| Interest Paid | 389.65 | 0.07 | 0.04 | **389.76** |
| Interest Received | 0.22 | 0.02 | - | **0.24** |
| Investment of Related Parties in the Bank | - | 2.28 | - | **2.28** |
| Investment in Subordinated Debt/Hybrid Capital of the Bank | - | - | - | **-** |
| Redemption of Subordinated Debt | - | - | - | **-** |
| Purchase of investments | 10.24 | - | - | **10.24** |
| Sale of Investments | 563.21 | - | - | **563.21** |
| Management Contracts and Other reimbursements | - | 5.46* | - | **5.46** |
| Purchase of Fixed Assets | - | - | - | **-** |
| Non-funded commitments | 0.01 | - | - | **0.01** |
| Advance granted | - | - | - | **-** |
| Advance repaid | - | 0.12 | - | **0.12** |
| Sale of fixed assets | - | - | - | **-** |
| Receiving of Services | 45.40 | - | - | **45.40** |
| Rendering of Services | 2.51 | - | - | **2.51** |
| Other Reimbursements to Related Parties | 0.15 | - | - | **0.15** |

*includes ₹0.70 crore subject to approval of shareholders

The balances payable to/receivable from the related parties of the Bank as on 31 March, 2011 are given below:

(₹ *in crores*)

| Items/Related Party | Promoters | Key Management Personnel | Relatives of Key Management Personnel | Total |
|---|---|---|---|---|
| Borrowings from the Bank | - | - | - | **-** |
| Deposits with the Bank | 4,716.08 | 0.23 | 0.23 | **4,716.54** |
| Placement of Deposits | 0.16 | - | - | **0.16** |
| Advances | 43.00 | 0.27 | - | **43.27** |
| Investment of Related Parties in the Bank | 152.78 | 0.04 | - | **152.82** |
| Repo Borrowings | - | - | - | **-** |
| Non-funded commitments | 3.01 | - | - | **3.01** |
| Investment in Subordinated Debt/Hybrid Capital of the Bank | 2,825.00 | - | - | **2,825.00** |
| Advance for Rendering of Services | - | - | - | **-** |
| Leasing/HP arrangements availed | - | - | - | **-** |
| Leasing/HP arrangements provided | - | - | - | **-** |
| Other Receivables | - | - | - | **-** |
| Other Payables | - | - | - | **-** |

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March, 2011 are given below:

(₹ *in crores*)

| **Items/Related Party** | **Promoters** | **Key Management Personnel** | **Relatives of Key Management Personnel** | **Total** |
|---|---|---|---|---|
| Borrowings from the Bank | - | - | - | **-** |
| Deposits with the Bank | 4,716.09 | 3.94 | 4.96 | **4,724.99** |
| Placement of Deposits | 0.16 | - | - | **0.16** |
| Advances | 132.47 | 0.39 | - | **132.86** |
| Investment of Related Parties in the Bank | 156.15 | 0.04 | - | **156.19** |
| Repo Borrowing | - | - | - | **-** |
| Non-funded commitments | 39.00 | - | - | **39.00** |
| Investment in Subordinated Debt/Hybrid Capital of the Bank | 2,825.00 | - | - | **2,825.00** |
| Advance for Rendering of Services | - | - | - | **-** |
| Leasing/HP arrangements availed | - | - | - | **-** |
| Leasing/HP arrangements provided | - | - | - | **-** |
| Other Receivables | - | - | - | **-** |
| Other Payables | - | - | - | **-** |

The details of transactions of the Bank with its related parties during the year ended 31 March, 2010 are given below:

(₹ *in crores*)

| **Items/Related Party** | **Promoters** | **Key Management Personnel** | **Relatives of Key Management Personnel** | **Total** |
|---|---|---|---|---|
| Dividend Paid | 151.97 | - | - | **151.97** |
| Interest Paid | 246.89 | 0.02 | 0.01 | **246.92** |
| Interest Received | - | 0.01 | - | **0.01** |
| Investment of Related Parties in the Bank | 360.56 | - | - | **360.56** |
| Investment in Subordinated Debt/Hybrid Capital of the Bank | 1,055.00 | - | - | **1,055.00** |
| Redemption of Subordinated Debt | 5.00 | - | - | **5.00** |
| Sale of Investments | 537.48 | - | - | **537.48** |
| Management Contracts and Other reimbursements | 1.82 | 2.62 | - | **4.44** |
| Purchase of Fixed Assets | - | - | - | **-** |
| Advance granted | - | - | - | **-** |
| Advance repaid | - | - | - | **-** |
| Sale of fixed assets | - | - | - | **-** |
| Receiving of Services | 16.11 | - | - | **16.11** |
| Rendering of Services | 1.92 | - | - | **1.92** |
| Non-funded commitments | 0.05 | - | - | **0.05** |
| Other Reimbursements to Related Parties | - | - | - | **-** |

The balances payable to/receivable from the related parties of the Bank as on 31 March, 2010 are given below:

(₹ *in crores*)

| **Items/Related Party** | **Promoters** | **Key Management Personnel** | **Relatives of Key Management Personnel** | **Total** |
|---|---|---|---|---|
| Deposits with the Bank | 3,662.04 | 1.72 | 0.64 | **3,664.40** |
| Placement of Deposits | 0.16 | - | - | **0.16** |
| Advances | 50.17 | 0.39 | - | **50.56** |
| Investment of the Bank | - | - | - | **-** |
| Investment of Related Parties in the Bank | 156.15 | 0.02 | - | **156.17** |
| Repo Borrowing | - | - | - | **-** |
| Non-funded commitments | 39.00 | - | - | **39.00** |
| Investment in Subordinated Debt/Hybrid Capital of the Bank | 2,815.00 | - | - | **2,815.00** |
| Advance for Rendering of Services | - | - | - | **-** |
| Leasing/HP Arrangements availed | - | - | - | **-** |
| Leasing/HP Arrangements provided | - | - | - | **-** |
| Other Receivables | - | - | - | **-** |
| Other Payables | - | - | - | **-** |

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March, 2010 are given below:

(₹ *in crores*)

| **Items/Related Party** | **Promoters** | **Key Management Personnel** | **Relatives of Key Management Personnel** | **Total** |
|---|---|---|---|---|
| Deposits with the Bank | 3,662.04 | 10.43 | 0.64 | **3,673.11** |
| Placement of Deposits | 0.16 | - | - | **0.16** |
| Advances | 59.36 | 0.40 | - | **59.76** |
| Investment of Related Parties in the Bank | 156.64 | 0.13 | - | **156.77** |
| Repo Borrowing | - | - | - | **-** |
| Non-funded commitments | 39.05 | - | - | **39.05** |
| Investment in Subordinated Debt/Hybrid Capital of the Bank | 2,815.00 | - | - | **2,815.00** |
| Advance for Rendering of Services | - | - | - | **-** |
| Leasing/HP Arrangements availed | - | - | - | **-** |
| Leasing/HP arrangements provided | - | - | - | **-** |
| Other Receivables | - | - | - | **-** |
| Other Payables | - | - | - | **-** |

2.1.9 Leases

*Disclosure in respect of assets given on operating lease.*

*The Bank has not given any asset on operating lease.*

*Disclosure in respect of assets taken on operating lease.*

Operating lease comprises leasing of office premises/ATMs, staff quarters, electronic data capturing machines and IT equipment.

(₹ *in crores*)

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Future lease rentals payable as at the end of the year: | | |
| - Not later than one year | **445.04** | 413.79 |
| - Later than one year and not later than five years | **1,240.33** | 1,180.99 |
| - Later than five years | **673.79** | 723.51 |
| Total of minimum lease payments recognised in the Profit and Loss Account for the year | **571.11** | 421.09 |

There are no provisions relating to contingent rent.

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

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

2.1.10 Other Fixed Assets (including furniture & fixtures)

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

(₹ *in crores*)

| **Particulars** | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| At cost at the beginning of the year | **268.73** | 220.74 |
| Additions during the year | **74.06** | 48.57 |
| Deductions during the year | **(1.68)** | (0.58) |
| Accumulated depreciation as at 31 March | **(209.85)** | (162.65) |
| Closing balance as at 31 March | **131.26** | 106.08 |
| Depreciation charge for the year | **47.91** | 37.38 |

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

(₹ *in crores*)

| **As at** | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Deferred tax assets on account of provisions for doubtful debts | **574.23** | 421.52 |
| Deferred tax assets on account of amortization of HTM investments | **164.04** | 147.83 |
| Deferred tax assets on account of provision for employee benefits | **70.67** | 47.79 |
| Deferred tax liability on account of depreciation on fixed assets | **(32.66)** | (32.63) |
| Deferred tax assets on account of other contingencies | **13.37** | - |
| Other deferred tax assets | **27.22** | 26.88 |
| Net deferred tax asset | **816.87** | 611.39 |

2.1.12 Employee Benefits

Group

**Provident Fund**

The contribution to the employee's provident fund of the Group amounted to ₹44.94 crores for the year ended 31 March, 2011 (previous year ₹39.31 crores)

The rules of the Bank's Provident Fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Bank. Having regard to the assets of the Fund and the return on the investments, the Bank does not expect any deficiency in the foreseeable future. There has also been no such deficiency since the inception of the Fund.

Axis Bank Ltd.

Superannuation

The Bank contributed ₹10.17 crores to the employee's superannuation plan for the year ended 31 March, 2011 (previous year ₹9.67 crores).

Group

**Leave Encashment**

The Group charged an amount of ₹70.66 crores towards leave encashment for the year ended 31 March, 2011 (previous year ₹36.95 crores).

Group

**Gratuity**

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

Profit and Loss Account

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

(₹ *in crores*)

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Current Service Cost | **9.46** | 8.88 |
| Interest on Defined Benefit Obligation | **3.90** | 2.94 |
| Expected Return on Plan Assets | **(3.36)** | (2.59) |
| Net Actuarial Losses/(Gains) recognised in the year | **0.45** | (3.99) |
| Past Service Cost | **8.82** | - |
| **Total included in "Employee Benefit Expense"** | **19.27** | 5.24 |
| Actual Return on Plan Assets | **2.58** | 3.05 |

Balance Sheet

Details of provision for gratuity

(₹ *in crores*)

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Present Value of Funded Obligations | **61.43** | 43.02 |
| Fair Value of Plan Assets | **(63.62)** | (44.08) |
| **Net Liability** | **(2.19)** | (1.06) |

(₹ *in crores*)

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| **Amounts in Balance Sheet** | | |
| Liabilities | **0.59** | 0.35 |
| Assets | **2.78** | 1.41 |
| **Net Assets** | **(2.19)** | (1.06) |

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

(₹ *in crores*)

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| **Change in Defined Benefit Obligation** | | |
| **Opening Defined Benefit Obligation** | **43.02** | 36.48 |
| Current Service Cost | **9.46** | 8.88 |
| Interest Cost | **3.90** | 2.94 |
| Actuarial Losses/(Gains) | **(0.34)** | (3.52) |
| Past Service Cost | **8.82** | - |
| Benefits Paid | **(3.43)** | (1.76) |
| **Closing Defined Benefit Obligation** | **61.43** | 43.02 |

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

(₹ *in crores*)

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| **Change in the Fair Value of Assets** | | |
| **Opening Fair Value of Plan Assets** | **44.08** | 29.83 |
| Expected Return on Plan Assets | **3.36** | 2.59 |
| Actuarial Gains/(Losses) | **(0.79)** | 0.46 |
| Contributions by Employer | **20.40** | 12.96 |
| Benefits Paid | **(3.43)** | (1.76) |
| **Closing Fair Value of Plan Assets** | **63.62** | **44.08** |

Experience adjustments

(₹ *in crores*)

| | **31 March, 2011** | 31 March, 2010 | 31 March, 2009 | 31 March, 2008 | 31 March, 2007 |
|---|---|---|---|---|---|
| Defined Benefit Obligations | **61.43** | 43.02 | 36.49 | 23.42 | 14.33 |
| Plan Assets | **63.62** | 44.08 | 29.83 | 17.78 | 11.93 |
| Surplus/(Deficit) | **2.19** | 1.06 | (6.66) | (5.64) | (2.40) |
| Experience Adjustments on Plan Liabilities | **1.55** | 1.27 | 3.30 | 3.57 | 2.29 |
| Experience Adjustments on Plan Assets | **(0.78)** | 0.46 | (0.73) | (0.17) | 0.13 |

Axis Bank Ltd.

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| The major categories of plan assets* as a percentage of fair value of total plan assets – Insurer Managed Funds | **100** | 100 |
| *composition of plan assets is not available | | |

| | 31 March, 2011 |
|---|---|
| **Principal actuarial assumptions at the balance sheet date:** | |
| Discount Rate | **8.05% p.a.** |
| Expected rate of Return on Plan Assets | **7.50% p.a.** |
| Salary Escalation Rate | **6.00% p.a.** |
| Employee Turnover | |
| - 21 to 30 (age in years) | **16.55%** |
| - 31 to 44 (age in years) | **10.00%** |
| - 45 to 59 (age in years) | **1.00%** |

| | 31 March, 2010 |
|---|---|
| **Principal actuarial assumptions at the balance sheet date:** | |
| Discount Rate | 7.90% p.a. |
| Expected rate of Return on Plan Assets | 7.50% p.a. |
| Salary Escalation Rate | 6.00% p.a. |
| Employee Turnover | |
| - 21 to 44 (age in years) | 10.00% |
| - 45 to 64 (age in years) | 1.00% |

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

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

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

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

Axis Securities and Sales Ltd.

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| The major categories of plan assets* as a percentage of fair value of total plan assets – Insurer Managed Funds | **100.00** | 100.00 |
| *composition of plan assets is not available | | |

| | 31 March, 2011 | 31 March, 2010 |
|---|---|---|
| **Principal actuarial assumptions at the balance sheet date:** | | |
| Discount Rate | **7.80% p.a.** | 6.55% p.a. |
| Expected rate of Return on Plan Assets | **7.50% p.a.** | 7.50% p.a. |
| Salary Escalation Rate | **6.00% p.a.** | 6.00% p.a. |
| Employee Turnover | | |
| - 21 to 44 (age in years) | **60.00% p.a.** | 30.00% p.a. |
| - 45 to 59 (age in years) | **1.00% p.a.** | 1.00% p.a. |

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

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

The Company expects to contribute ₹0.20 crores as gratuity in the year 2011-12.

Axis Asset Management Company Ltd.

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| **Principal actuarial assumptions at the balance sheet date:** | | |
| Discount Rate | **8.13% p.a.** | 8.00% p.a. |
| Expected rate of Return on Plan Assets | **N.A.** | N.A. |
| Salary Escalation Rate | **10.00% p.a.** | 10.00% p.a. |
| Employee Turnover | **10.00% p.a.** | 10.00% p.a. |

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

2.1.13 Provisions and contingencies

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

(₹ *in crores*)

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Opening balance at the beginning of the year | **0.21** | 4.51 |
| Additions during the year | **4.78** | 0.04 |
| Reductions on account of payments during the year | **-** | (0.27) |
| Reductions on account of reversals during the year | **-** | (4.07) |
| **Closing balance at the end of the year** | **4.99** | 0.21 |

b) Movement in provision for credit enhancements on securtised assets is set out below:

(₹ *in crores*)

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Opening balance at the beginning of the year | **-** | - |
| Additions during the year | **-** | - |
| Reductions during the year | **-** | - |
| **Closing balance at the end of the year** | **-** | - |

c) Movement in provision for debit/credit card reward points is set out below:

(₹ *in crores*)

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Opening provision at the beginning of the year | **18.41** | 9.97 |
| Provision made during the year | **8.25** | 9.35 |
| Reductions during the year | **(1.65)** | (0.91) |
| **Closing provision at the end of the year** | **25.01** | 18.41 |

d) Movement in provision for other contingencies (including derivatives) is set out below:

(₹ *in crores*)

| | **31 March, 2011** | 31 March, 2010 |
|---|---|---|
| Opening provision at the beginning of the year | **-** | - |
| Provision made during the year | **36.44** | - |
| Reductions during the year | **-** | - |
| **Closing provision at the end of the year** | **36.44** | - |

2.1.14 Small and Micro Industries

Group

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from 2 October, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

2.1.15 Description of contingent liabilities:

a) Claims against the Group not acknowledged as debts

These represent claims filed against the Group in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax and other statutory authorities and disputed by the Group.

b) Liability on account of forward exchange and derivative contracts

The Bank enters into foreign exchange contracts, currency options/swaps, interest rate futures and forward rate agreements on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in two currencies, based on ruling spot rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Interest rate futures are standardized, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time.

c) Guarantees given on behalf of constituents

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

d) Acceptances, endorsements and other obligations

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

e) Other items for which the Group is contingently liable

Other items represent outstanding amount of bills rediscounted by the Bank, estimated amount of contracts remaining to be executed on capital account and commitments towards underwriting and investment in equity through bids under Initial Public Offering (IPO) of corporates as at the year end.

2.1.16 Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies

In terms of the approval u/s 212(8) of the Companies Act, 1956 granted by the Ministry of Corporate Affairs, Government of India vide its letter no. 47/19/2011-CL-III dated 21 January, 2011

(₹ *in crores*)

| | For the year ended 31 March, 2011 | | | | |
|---|---|---|---|---|---|
| | **Axis Securities and Sales Ltd.** | **Axis Private Equity Ltd.** | **Axis Trustee Services Ltd.** | **Axis Mutual Fund Trustee Ltd.** | **Axis Asset Management Company Ltd.** |
| Capital | 80.00 | 15.00 | 1.50 | 0.05 | 124.00 |
| Reserves and Surplus | (16.33) | 2.95 | 8.65 | 0.03 | (96.05) |
| Total Assets (Fixed Assets + Investments + Current Assets + Deferred Tax Assets) | 84.37 | 21.75 | 16.76 | 0.11 | 41.78 |
| Total Liabilities (Loans + Current Liabilities + Provisions) | 20.70 | 3.81 | 6.61 | 0.03 | 13.83 |
| Investments | - | - | - | 0.09 | 21.16 |
| Total Income | 109.77 | 12.46 | 15.08 | 0.12 | 28.05 |
| Profit/(Loss) Before Taxation | (8.17) | 3.74 | 12.13 | 0.03 | (45.44) |
| Provision for Taxation | - | 1.31 | 4.03 | 0.01 | - |
| Profit/(Loss) After Taxation | (8.17) | 2.43 | 8.10 | 0.02 | (45.44) |
| Proposed Dividend and Tax (including cess thereon) | - | - | 1.31 | - | - |

2.1.17 Comparative Figures

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

**For Axis Bank Ltd.**

**Adarsh Kishore**
Chairman

**R. H. Patil**
Director

**R. B. L. Vaish**
Director

**Shikha Sharma**
Managing Director & CEO

**Sushil Kumar Roongta**
Director

**S. B. Mathur**
Director

**S. K. Chakrabarti**
Deputy Managing Director

**P. J. Oza**
Company Secretary

**Somnath Sengupta**
Executive Director & CFO

Date : 22nd April, 2011
Place: Mumbai

# DISCLOSURES UNDER THE NEW CAPITAL ADEQUACY FRAMEWORK (BASEL II GUIDELINES) FOR THE YEAR ENDED 31 MARCH, 2011

## I. SCOPE OF APPLICATION

Axis Bank Limited (the 'Bank') is a commercial bank, which was incorporated on 3 December, 1993. The Bank is the controlling entity for all group entities that include its six wholly owned subsidiaries.

The consolidated financial statements of the Bank comprise the financial statements of Axis Bank Limited and its subsidiaries that together constitute the 'Group'. The Bank consolidates its subsidiaries in accordance with Accounting Standard 21 (AS 21) 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. While computing the consolidated Bank's Capital to Risk-weighted Assets Ratio (CRAR), the Bank's investment in the equity capital of the wholly-owned subsidiaries is deducted, 50% from Tier 1 Capital and 50% from Tier 2 Capital. The subsidiaries of the Bank are not required to maintain any regulatory capital. The table below lists Axis Bank's Subsidiaries/Associates/Joint ventures consolidated for accounting and their treatment for capital adequacy purpose.

| Sr. No. | Name of the entity | Nature of Business | Holding | Basis of Consolidation |
|---|---|---|---|---|
| 1. | Axis Securities and Sales Ltd. | Marketing of credit cards and retail asset products and retail broking | 100% | Fully consolidated |
| 2. | Axis Private Equity Ltd. | Managing investments, venture capital funds and off shore funds | 100% | Fully consolidated |
| 3. | Axis Trustee Services Ltd. | Trusteeship services | 100% | Fully consolidated |
| 4. | Axis Mutual Fund Trustee Ltd. | Trusteeship | 100% | Fully consolidated |
| 5. | Axis Asset Management Company Ltd. | Asset Management | 100% | Fully consolidated |
| 6. | Bussan Auto Finance India Private Ltd. | Non-Banking Financial company | 26% | Treated as an associate |

The investment in Bussan Auto Finance India Private Ltd. is not deducted from the capital funds of the Bank but is assigned risk-weights as an investment.

On 7 March, 2011, the Bank has incorporated a new subsidiary, namely Axis U.K. Limited as a private limited company registered in the United Kingdom (UK) with the main purpose of filing an application with Financial Services Authority (FSA), UK for a banking licence in the UK and for the creation of necessary infrastructure for the subsidiary to commence banking business. As on 31 March, 2011, Axis U.K. Limited has not commenced any operations.

There is no deficiency in capital of any of the subsidiaries of the Bank as on 31 March, 2011. Axis Bank actively monitors all its subsidiaries through their respective Boards and regular updates to the Board of Axis Bank.

As on 31 March, 2011, the Bank does not have any interest in any insurance entity.

## II. CAPITAL STRUCTURE

### Summary

As per RBI's capital adequacy norms capital funds are classified into Tier-1 and Tier-2 capital. Tier-1 capital of the Bank consists of equity capital, statutory reserves, other disclosed free reserves, capital reserves and innovative perpetual debt instruments eligible for inclusion in Tier-1 capital that complies with requirement specified by RBI. The Tier-2 capital consists of general provision and loss reserves, upper Tier-2 instruments and subordinate debt instruments eligible for inclusion in Tier-2 capital. Axis Bank has issued debt instruments that form a part of Tier-1 and Tier-2 capital. The terms and conditions that are applicable for these instruments comply with the stipulated regulatory requirements.

Tier-1 bonds are non-cumulative and perpetual in nature with a call option after 10 years. Interest on Tier-1 bonds is payable either annually or semi-annually. Some of the Tier-1 bonds have a step-up clause on interest payment ranging up to 100 bps. The Upper Tier-2 bonds have an original maturity of 15 years with a call option after 10 years. The interest on Upper Tier-2 bonds is payable either annually or semi-annually. Some of the Upper Tier-2 debt instruments have a step-up clause on interest payment ranging up to 100 bps. The Lower Tier-2 bonds have an original maturity between 5 to 10 years. The interest on lower Tier-2 capital instruments is payable either semi-annually or annually.

**Equity Capital**

The Bank has authorized share capital of ₹500.00 crores comprising 500,000,000 equity shares of ₹10/- each. As on 31 March, 2011 the Bank has issued, subscribed and paid-up equity capital of ₹410.55 crores, constituting 410,545,843 number of shares of ₹10/- each. The Bank's shares are listed on the National Stock Exchange and the Bombay Stock Exchange. The GDRs issued by the Bank are listed on the London Stock Exchange (LSE).

During the year, the Bank has also allotted equity shares to employees under its Employee Stock Option Plan.

The provisions of the Companies Act, 1956 and other applicable laws and regulations govern the rights and obligations of the equity share capital of the Bank.

**Debt Capital Instruments**

The Bank has raised capital through Innovative Perpetual Debt Instrument (IPDI) eligible as Tier 1 Capital and Tier 2 Capital in the form of Upper Tier 2 and Subordinated bonds (unsecured redeemable non-convertible debentures), details of which are given below.

**Perpetual Debt Instrument**

The Bank has raised Perpetual Debt Instruments eligible as Tier 1 Capital, the aggregate value of which as on 31 March, 2011 was ₹419.14 crores as stated below.

| Date of Allotment | Rate of Interest | Period | Amount |
|---|---|---|---|
| 30 September, 2006 | 10.05% | Perpetual | ₹214.00 crores |
| 15 November, 2006 | 7.167% | Perpetual | USD 46 million*<br>(₹205.14 crores) |
| **Total Perpetual Debt** | | | **₹419.14 crores** |

*Converted to INR @ ₹44.595 to a US Dollar (prevailing exchange rate as on 31.3.2011)

**Upper Tier 2 Capital**

The Bank has also raised Upper Tier 2 Capital, the aggregate value of which as on 31 March, 2011 was ₹1,242.80 crores as per the table below.

| Date of Allotment | Date of Redemption | Rate of Interest | Amount |
|---|---|---|---|
| 11 August, 2006 | 10 August, 2021 | 7.25% | USD 149.87 million*<br>(₹668.34 crores) |
| 24 November, 2006 | 23 November, 2021 | 9.35% | ₹200.00 crores |
| 6 February, 2007 | 6 February, 2022 | 9.50% | ₹107.50 crores |
| 28 June, 2007 | 28 June, 2022 | 7.125% | USD 59.86 million*<br>(₹266.96 crores) |
| **Total Upper Tier 2 Capital** | | | **₹1,242.80 crores** |

*Converted to INR @ ₹44.595 to a US Dollar (prevailing exchange rate as on 31.3.2011)

## Subordinated Debt

As on 31 March, 2011, the Bank had an outstanding Subordinated debt (unsecured redeemable non-convertible debentures) aggregating ₹5,331.30 crores. Of this, ₹4,587.60 crores qualified as Lower Tier 2 capital, the details of which are stated below.

(₹ *in crores*)

| Date of Allotment | Date of Redemption | Rate of Interest | Amount |
|---|---|---|---|
| 20 September, 2002 | 20 June, 2012 | 9.30% | 62.00 |
| 21 December, 2002 | 21 September, 2012 | 8.95% | 60.00 |
| 26 July, 2003 | 26 April, 2011 | 6.70% | 5.00 |
| 26 July, 2003 | 26 April, 2013 | 7.00% | 65.00 |
| 15 January, 2004 | 15 October, 2013 | 6.50% | 50.00 |
| 25 July, 2005 | 25 July, 2012 | Simple average of Mid of Bid and offer yield of the 1-year GOI benchmark (i.e. INBMK) plus a margin of 65 basis points to be reset at semi annual intervals. | 500.00 |
| 22 March, 2006 | 22 June, 2013 | 8.50% | 125.00 |
| 22 March, 2006 | 22 June, 2013 | 8.32% | 5.00 |
| 22 March, 2006 | 22 March, 2016 | 8.75% | 360.00 |
| 22 March, 2006 | 22 March, 2016 | 8.56% | 10.00 |
| 28 June, 2006 | 28 September, 2013 | 8.95% | 33.50 |
| 28 June, 2006 | 28 June, 2016 | 9.10% | 104.90 |
| 30 March, 2007 | 30 March, 2017 | 10.10% | 250.90 |
| 7 November, 2008 | 7 November, 2018 | 11.75% | 1,500.00 |
| 28 March, 2009 | 28 March, 2019 | 9.95% | 200.00 |
| 16 June, 2009 | 16 June, 2019 | 9.15% | 2,000.00 |
| **Total** | | | **5,331.30** |

## Capital Funds

(₹ *in crores*)

| Position as on 31 March, 2011 | | Amount |
|---|---|---|
| **A** | **Tier 1 Capital** | **18,503.49** |
| | Of which | |
| | - Paid-up Share Capital | 410.55 |
| | - Reserves and surplus (Excluding Foreign Currency Translation Reserve) | 18,600.93 |
| | - Innovative Perpetual Debt Instruments | 419.14 |
| | - Amount deducted from Tier 1 capital | |
| | - Investments in subsidiaries | (110.28) |
| | - Deferred Tax Assets | (816.85) |

(₹ *in crores*)

| | | |
|---|---|---|
| **B** | **Tier 2 Capital (net of deductions) (B.1+B.2+B.3-B.4)** | **6,366.86** |
| | Out of above | |
| B.1 | Debt Capital Instruments eligible for inclusion as Upper Tier 2 Capital | |
| | - Total amount outstanding | 1,242.80 |
| | - Of which amount raised during the current year | - |
| | - Amount eligible as capital funds | 1,242.80 |
| B.2 | Subordinated debt eligible for inclusion in Lower Tier 2 Capital | |
| | - Total amount outstanding | 5,331.30 |
| | - Of which amount raised during the current year | - |
| | - Amount eligible as capital funds | 4,587.60 |
| B.3 | Other Tier 2 Capital - General provisions and loss reserves | 646.74 |
| B.4 | Deductions from Tier 2 Capital | |
| | - Investments in Subsidiaries | (110.28) |
| **C** | **Total Eligible Capital** | **24,870.35** |

## III. CAPITAL ADEQUACY

Axis Bank is subject to the capital adequacy guidelines stipulated by RBI, which are based on the framework of the Basel Committee on Banking Supervision. As per the capital adequacy guidelines under Basel I, the Bank is required to maintain a minimum ratio of total capital to risk weighted assets (CRAR) of 9.0%, at least half of which is required to be Tier 1 Capital. As per Basel II guidelines, Axis Bank is required to maintain a minimum CRAR of 9.0%, with minimum Tier 1 Capital ratio of 6.0%. In terms of RBI guidelines for implementation of Basel II, capital charge for credit and market risk for the financial year ended 31 March, 2011 will be required to be maintained at the higher levels implied by Basel II or 80% of the minimum capital requirement computed as per the Basel I framework. For the year ended 31 March, 2011, the minimum capital required to be maintained by Axis Bank as per Basel II guidelines is higher than that under Basel I guidelines.

An assessment of the capital requirement of the Bank is carried out through a comprehensive projection of future businesses that takes cognizance of the strategic intent of the Bank, profitability of particular businesses and opportunities for growth. The proper mapping of credit, operational and market risks to this projected business growth enables assignment of capital that not only adequately covers the minimum regulatory capital requirement but also provides headroom for growth. The calibration of risk to business is enabled by a strong risk culture in the Bank aided by effective, technology-based risk management systems. A summary of the Bank's capital requirement for credit, market and operational risk and the capital adequacy ratio as on 31 March, 2011 is presented below.

(₹ *in crores*)

| Capital Requirements for various Risks | Amount |
|---|---|
| **CREDIT RISK** | |
| Capital requirements for Credit Risk | |
| - Portfolios subject to standardized approach | 15,350.25 |
| - Securitisation exposures | - |
| **MARKET RISK** | |
| Capital requirements for Market Risk | |
| - Standardized duration approach | 1,378.66 |
| - Interest rate risk | 1,152.74 |
| - Foreign exchange risk (including gold) | 32.19 |
| - Equity risk | 193.73 |

(₹ *in crores*)

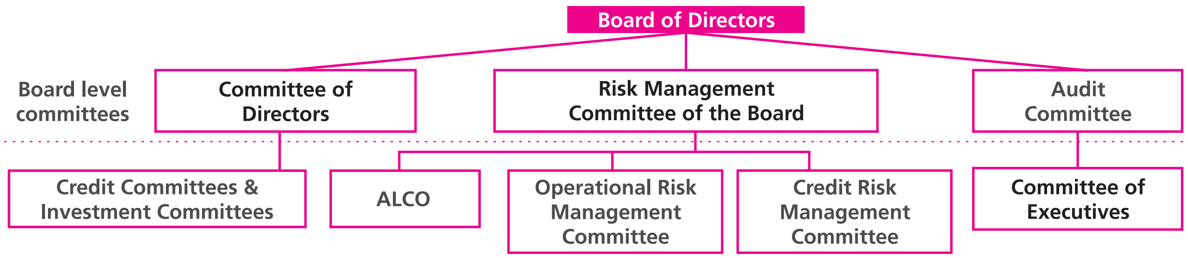
| Capital Requirements for various Risks | Amount |
|---|---|
| **OPERATIONAL RISK** | |
| Capital requirements for Operational risk | |
| - Basic indicator approach | 961.72 |
| **Capital Adequacy Ratio of the Bank (%)** | **12.65%** |
| **Tier 1 CRAR (%)** | **9.41%** |

## IV. RISK MANAGEMENT: OBJECTIVES AND ORGANIZATION STRUCTURE

The wide variety of businesses undertaken by the Bank requires it to identify, measure, control, monitor and report risks effectively. The key components of the Bank's risk management rely on the risk governance architecture, comprehensive processes and internal control mechanism. The Bank's risk governance architecture focuses attention on key areas of risk such as credit, market and operational risk and quantification of these risks wherever possible for effective and continuous monitoring.

### Objectives and Policies

The Bank's risk management processes are guided by well-defined policies appropriate for various risk categories, independent risk oversight and periodic monitoring through the sub-committees of the Board of Directors. The Board sets the overall risk appetite and philosophy for the Bank. The Committee of Directors, the Risk Management Committee and the Audit Committee of the Board, which are sub-committees of the Board, review various aspects of risk arising from the businesses of the Bank. Various senior management committees operate within the broad policy framework as illustrated below.




The Bank has also formulated a global risk policy for overseas operations and a country specific risk policy for its Singapore, Hong Kong and Dubai branches. The policies were drawn based on the risk dimensions of dynamic economies and the Bank's risk appetite.

The Bank has formulated a comprehensive Stress Testing policy to measure impact of adverse stress scenarios on the adequacy of capital.

### Structure and Organization

Risk Management Department reports to the Executive Director and CFO and the Risk Management Committee of the Board oversees the functioning of the Department. The Department has three separate teams for Credit Risk, Market Risk and Operational Risk and the head of each team reports to the head of the department.

## V. CREDIT RISK

### Credit Risk Management Policy

Credit risk covers the inability of a borrower or counter-party to honour commitments under an agreement and any such failures, which have an adverse impact on the financial performance of the Bank. The Bank is exposed to credit risk through lending and capital market activities.

The Bank's credit risk management process integrates risk management into the business management processes, while preserving the independence and integrity of risk assessment. The goal of credit risk management during the year has been to maintain a healthy credit portfolio by managing risk at the portfolio level as well as at the individual transaction level. The Board of Directors establishes the parameters for risk appetite, which are defined quantitatively and qualitatively in accordance with the laid-down strategic business plan in the Credit Risk Management Policy. The foundation of credit risk management rests on the internal rating system.

### Credit Rating System

Internal reporting and oversight of assets is principally differentiated by the credit ratings applied. The Bank has developed rating tools specific to market segments such as large corporates, mid-corporates, SME, financial companies and microfinance companies to objectively assess underlying risk associated with such exposures. For retail and schematic SME exposures, scorecards and borrower-scoring templates are used for application screening. Hence, for these exposures, the credit risk is measured and managed at the portfolio level. The Bank is also trying to use internal database of retail loans for building up statistical behavioural scorecards as well as for refining credit assessment at the application sourcing level.

The credit rating tool uses a combination of quantitative inputs and qualitative inputs to arrive at a 'point-in-time' view of the rating of counterparty. The monitoring tool developed by the Bank helps in objectively assessing the credit quality of the borrower taking into cognizance the actual behaviour post-disbursement. The output of the rating model is primarily to assess the chances of delinquency over a one-year time horizon. Each internal rating grade corresponds to a distinct probability of default. Model validation is carried out periodically by objectively assessing its calibration accuracy and stability of ratings.

### Credit Sanction and related processes

The Bank has put in place the following hierarchical committee structure for credit sanction and review:

- Retail Agri. Credit Committee (RACC)
- Central Agri. Business Credit Committee (CABCC)
- Regional Credit Committee (RCC)
- Central Office Credit Committee (COCC)
- Committee of Executives (COE)
- Senior Management Committee (SMC)
- Committee of Directors (COD)

The guiding principles behind the credit sanction process are as under.

- 'Know your Customer' is a leading principle for all activities.
- Sound credit approval process with well laid credit-granting criteria.
- The acceptability of credit exposure is primarily based on the sustainability and adequacy of borrower's normal business operations and not based solely on the availability of security.
- Portfolio level risk analytics and reporting to ensure optimal spread of risk across various rating classes prevent undue risk concentration across any particular industry segments and monitor credit risk quality migration.
- Sector specific studies are periodically undertaken to highlight risk and opportunities in those sectors.
- Rating linked exposure norms have been adopted by the Bank.
- Industry-wise exposure ceilings are based on the industry performance, prospects and the competitiveness of the sector.

- Separate risk limits are set up for credit portfolios like advances to NBFC and unsecured loans that require special monitoring.
- With heightened activity in the real estate sector, the Bank has strengthened its risk management systems to ensure that its advances are to borrowers having a good track record and satisfying the criterion of minimum acceptable credit rating. Appropriate covenants are stipulated for risk containment and monitoring.

**Review and Monitoring**

- All credit exposures, once approved, are monitored and reviewed periodically against the approved limits. Borrowers with lower credit rating are subject to more frequent reviews.
- Credit audit involves independent review of credit risk assessment, compliance with internal policies of the Bank and with the regulatory framework, compliance of sanction terms and conditions and effectiveness of loan administration.
- Customers with emerging credit problems are identified early and classified accordingly. Remedial action is initiated promptly to minimize the potential loss to the Bank.

**Portfolio Management**

The Bank continues to track the quality of all portfolios through appropriate risk metrics. Periodic delinquency reporting, vintage analysis of the portfolio and rating-wise distribution of its borrowers provides insight for future course of action.

The exposures to sectors that had been most affected by the recent downturn and have been slow to recover were kept under control and there was an increased focus on borrowers having good and stable rating.

The Bank has been selective in choosing a growth path for retail assets. The focus has been on increasing lending to secured portfolios (mortgage, auto), while maintaining a cautious approach to unsecured lending (personal loans and credit card business). The Bank's objective has been to improve the quality of incremental origination through tighter credit underwriting standards, increased use of bureau level data and leveraging on internal customer base of the Bank for cross sell. Account management and focus on collection are a priority to control delinquencies at the portfolio level.

**Concentration Risk**

The Bank controls and limits concentration risk by means of appropriate structural limits and borrower limits based on creditworthiness. These include:

<u>Large Exposures to Individual Clients or Group</u>

The Bank has individual borrower-wise exposure ceilings based on the internal rating of the borrower as well as group-wise borrowing limits. The Bank monitors the level of credit risk (Low/Moderate/High/Very High) and direction of change in credit risk (increasing /decreasing/stable) at the portfolio level based on the following six parameters that capture concentration risk.

- Highest geographic concentration in a region.
- Exposure to Top 20 accounts as a percentage of Credit Risk Exposure (CRE).
- Percentage of term loans with residual maturity more than 3 years to total loans and advances.
- Percentage of unsecured loans to total loan and advances.
- Number of single borrower exposures exceeding 15% of capital funds.
- Number of group exposures exceeding 40% of capital funds.

While determining level and direction of credit risk, parameters like percentage of low-risk credit (investment grade and above) to credit risk exposure and migration from investment to non-investment grade (quantum as percentage of credit risk exposure) are also considered.

Industries

Industry analysis plays an important part in assessing the concentration risk within the loan portfolio. Particular attention is given to industry sectors where the Bank believes there is a high degree of risk or potential for volatility in the future. The Bank has fixed internal limits for aggregate commitments to different sectors so that the exposures are evenly spread over various sectors.

**Policies for Hedging and Mitigating Credit Risk**

Credit Risk Mitigants (CRM) like financial collateral, non-financial collateral and guarantees are used to mitigate credit risk exposure. Availability of CRM either reduces effective exposure on the borrower (in case of collaterals) or transfers the risk to the more creditworthy party (in case of guarantees). A major part of the eligible financial collaterals is in the form of cash, the most liquid of assets and thus free from any market and liquidity risks. The Bank has formulated a Collateral Management Policy as required under Basel II guidelines.

**Credit Risk Asset Quality**

Distribution of Credit Risk by Asset Quality

The rating scale for large and mid corporates is a 14-point granular scale that ranges from AB-AAA to AB-D. The rating tool for SME has an 8-point rating scale, ranging from SME 1 to SME 8. There are separate rating tools for financial companies and schematic SME and retail agricultural exposures.

**Definitions of Non-Performing Assets**

Advances are classified into performing and non-performing advances (NPAs) as per RBI guidelines. NPAs are further classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. An asset, including a leased asset, becomes non-performing when it ceases to generate income for the Bank.

An NPA is a loan or an advance where:

1. interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan;
2. the account remains "out-of-order" in respect of an Overdraft or Cash Credit (OD/CC);
3. the bill remains overdue for a period of more than 90 days in case of bills purchased and discounted;
4. a loan granted for short duration crops will be treated as an NPA if the installments of principal or interest thereon remain overdue for two crop seasons; and
5. a loan granted for long duration crops will be treated as an NPA if the installments of principal or interest thereon remain overdue for one crop season.
6. In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

**Definition of Impairment**

At each balance sheet date, the Bank ascertains if there is any impairment in its assets. If such impairment is detected, the Bank estimates the recoverable amount of the asset. If the recoverable amount of the asset or the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account.

## CREDIT RISK EXPOSURES

### Total Gross Credit Risk Exposure Including Geographic Distribution of Exposure – Position as on 31 March, 2011

(₹ *in crores*)

| | Domestic | Overseas | Total |
|---|---|---|---|
| Fund Based | 192,880.12 | 21,832.79 | 214,712.91 |
| Non Fund Based * | 72,125.89 | 8,759.79 | 80,885.68 |
| **Total** | **265,006.01** | **30,592.58** | **295,598.59** |

* Non-fund based exposures are guarantees given on behalf of constituents and acceptances and endorsements.

### Distribution of Credit Risk Exposure by Industry Sector – Position as on 31 March, 2011

(₹ *in crores*)

| Sr. No. | Industry Classification | Amount | |
|---|---|---|---|
| | | Fund Based | Non-Fund Based |
| 1. | Mining and quarrying (incl. coal) | 798.88 | 328.19 |
| 2. | Iron and Steel | 6,615.02 | 4,589.93 |
| 3. | Other Metal and Metal Products | 1,167.86 | 1,738.55 |
| 4. | All Engineering | 3,408.43 | 6,295.54 |
| | - Of which Electronics | 365.52 | 75.56 |
| 5. | Power Generation & Distribution | 6,234.81 | 10,875.80 |
| 6. | Cotton Textiles | 2,533.45 | 387.05 |
| 7. | Jute Textiles | 31.09 | 0.95 |
| 8. | Other Textiles | 1,597.05 | 350.88 |
| 9. | Sugar | 1,007.85 | 91.41 |
| 10. | Tea | 80.64 | 1.57 |
| 11. | Food Processing | 2,919.02 | 123.46 |
| 12. | Edible Oils and Vanaspati | 1,257.48 | 2,336.21 |
| 13. | Beverages & Tobacco | 303.92 | 42.66 |
| 14. | Wood & wood products | 351.28 | 126.00 |
| 15. | Paper and Paper Products | 937.60 | 409.88 |
| 16. | Rubber, plastic and their products | 614.61 | 283.68 |
| 17. | Chemicals and chemical products | 7,817.20 | 3,841.41 |
| | - Of which Petrochemicals | 2,234.07 | 1,461.80 |
| | - Of which Drugs & Pharmaceuticals | 1,938.06 | 721.00 |
| 18. | Glass and glassware | 128.93 | 22.05 |
| 19. | Cement and cement products | 1,841.52 | 286.08 |
| 20. | Leather and Leather Products | 95.20 | 6.79 |
| 21. | Gems and Jewellery | 2,245.15 | 5,824.70 |
| 22. | Construction | 695.12 | 1,073.41 |
| 23. | Petroleum, coal products and nuclear fuels | 340.58 | 216.37 |

(₹ *in crores*)

| Sr. No. | Industry Classification | Amount | |
|---|---|---|---|
| | | Fund Based | Non-Fund Based |
| 24. | Vehicles, vehicle parts and transport equipments | 1,605.67 | 381.07 |
| 25. | Computer Software | 1,966.04 | 762.72 |
| 26. | Infrastructure (excluding Power) | 13,803.58 | 12,665.25 |
| | - Of which Roads & ports | 3,466.77 | 2,692.25 |
| | - Of which Telecommunication | 5,498.19 | 1,707.20 |
| 27. | NBFCs | 6,531.16 | 1,350.42 |
| 28. | Trade | 7,725.30 | 11,484.55 |
| 29. | Other Industries | 39,764.43 | 11,146.46 |
| | - Of which Banking & Finance | 13,297.45 | 5,645.37 |
| | - Of which Commercial Real Estate | 4,972.11 | 464.01 |
| | - Of which Shipping | 1,713.64 | 732.29 |
| | - Of which Professional Services | 2,589.05 | 109.19 |
| 30. | Residual exposures to balance the total exposure | 100,294.04 | 3,842.64 |
| | **Total** | **214,712.91** | **80,885.68** |

As on 31 March, 2011, the Bank's exposure to the industries stated below was more than 5% of the total gross credit exposure:

| Sr. No. | Industry Classification | Percentage of the total gross credit exposure |
|---|---|---|
| 1. | Infrastructure | 9% |
| 2. | Trade | 6% |
| 3. | Banking & Finance | 6% |
| 4. | Power Generation & Distribution | 6% |

**Residual Contractual Maturity breakdown of Assets – Position as on 31 March, 2011**

(₹ *in crores*)

| Maturity Bucket | Cash, balances with RBI and other banks | Investments | Advances | Other assets including fixed assets |
|---|---|---|---|---|
| 1 day | 3,218.39 | 844.61 | 2,874.45 | 33.40 |
| 2 days to 7 days | 1,406.53 | 1,794.91 | 3,635.78 | 100.29 |
| 8 days to 14 days | 984.82 | 3,247.24 | 1,003.04 | 125.34 |
| 15 days to 28 days | 1,879.06 | 4,609.39 | 2,440.76 | 717.85 |
| 29 days and upto 3 months | 4,151.54 | 10,350.69 | 9,587.40 | 830.77 |
| Over 3 months and upto 6 months | 1,606.29 | 5,319.04 | 8,162.21 | 680.57 |
| Over 6 months and upto 1 year | 2,218.11 | 9,335.13 | 11,815.40 | 317.36 |
| Over 1 year and upto 3 years | 1,889.60 | 13,416.94 | 35,236.92 | 94.82 |
| Over 3 years and upto 5 years | 727.81 | 8,181.92 | 19,459.50 | - |
| Over 5 years | 3,326.51 | 14,891.75 | 48,192.37 | 4,004.87 |
| **Total** | **21,408.66** | **71,991.62** | **142,407.83** | **6,905.27** |

**Movement of NPAs and Provision for NPAs (including NPIs) – Position as on 31 March, 2011**

(₹ *in crores*)

| | | Amount |
|---|---|---|
| A. | Amount of NPAs (Gross) | 1,599.42 |
| | - Substandard | 458.45 |
| | - Doubtful 1 | 338.54 |
| | - Doubtful 2 | 59.18 |
| | - Doubtful 3 | 15.09 |
| | - Loss | 728.16 |
| B. | Net NPAs | 410.35 |
| C. | NPA Ratios | |
| | - Gross NPAs to gross advances (%) | 1.11% |
| | - Net NPAs to net advances (%) | 0.29% |
| D. | Movement of NPAs (Gross) | |
| | - Opening balance as on 1.4.2010 | 1,318.00 |
| | - Additions | 1,448.31 |
| | - Reductions | (1,166.89) |
| | - Closing balance as on 31.3.2011 | 1,599.42 |
| E. | Movement of Provision for NPAs | |
| | - Opening balance as on 1.4.2010 | 899.00 |
| | - Provision made in 2010-11 | 995.26 |
| | - Write – offs/Write – back of excess provision | (707.52) |
| | - Closing balance as on 31.3.2011 | 1,186.74 |

**NPIs and Movement of Provision for Depreciation on NPIs – Position as on 31 March, 2011**

(₹ *in crores*)

| | | Amount |
|---|---|---|
| A. | Amount of Non-Performing Investments | 12.43 |
| B. | Amount of Provision held for Non-performing investments | 12.43 |
| C. | Movement of provision for depreciation on investments | |
| | - Opening balance as on 1.4.2010 | 170.18 |
| | - Provision made in 2010-11 | 124.68 |
| | - Write – offs | - |
| | - Write – back of excess provision | (25.41) |
| | - Closing balance as on 31.3.2011 | 269.45 |

**Credit Risk: Use of Rating Agency under the Standardized Approach**

The RBI guidelines on Basel II require banks to use ratings assigned by specified External Credit Assessment Agencies (ECAIs) namely CRISIL, CARE, ICRA & Fitch (India) for domestic counterparties and Standard & Poor's, Moody's and Fitch for foreign counterparties.

The Bank is using issuer ratings and short-term and long-term instrument/bank facilities' ratings which are assigned by the accredited rating agencies viz. CRISIL, ICRA, Fitch and CARE and published in the public domain to assign risk-weights in terms of RBI guidelines. In respect of claims on non-resident corporates and foreign banks, ratings assigned by international rating agencies i.e. Standard & Poor's, Moody's and Fitch is used. For exposures with contractual maturity of less than one year, a short-term rating is used. For cash credit facilities and exposures with contractual maturity of more than one year, long-term rating is used.

Issue ratings would be used if the Bank has an exposure in the rated issue and this would include fund-based and non-fund based working capital facilities as well as loans and investments. In case the Bank does not have exposure in a rated issue, the Bank would use the issue rating for its comparable unrated exposures to the same borrower, provided that the Bank's exposures are pari-passu or senior and of similar or lesser maturity as compared to the rated issue. Structured Obligation (SO) ratings are not used unless the Bank has a direct exposure in the 'SO' rated issue. If an issuer has a long-term or short-term exposure with an external rating that warrants a risk weight of 150%, all unrated claims on the same counterparty, whether short-term or long-term, also receive 150% risk weight, unless the Bank uses recognized credit risk mitigation techniques for such claims.

Issuer ratings provide an opinion on the general credit worthiness of the rated entities in relation to their senior unsecured obligations. Therefore, issuer ratings would be directly used to assign risk-weight to unrated exposures of the same borrower.

**Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk-Weight – Position as on 31 March, 2011**

(₹ *in crores*)

| | **Amount** |
|---|---|
| Below 100% risk weight | 171,860.72 |
| 100% risk weight | 106,798.30 |
| More than 100% risk weight | 16,939.57 |
| Deduction from capital funds | |
| - Investments in subsidiaries | 220.55 |

## VI. CREDIT RISK MITIGATION

The Bank uses various collaterals both financial as well as non-financial, guarantees and credit insurance as credit risk mitigants. The main financial collaterals include bank deposits, NSC/KVP/LIP, and gold, while main non-financial collaterals include land and building, plant and machinery, residential and commercial mortgages. The guarantees include guarantees given by corporate, bank and personal guarantees. This also includes loan and advances guaranteed by Export Credit & Guarantee Corporation Limited (ECGC), Credit Guarantee Fund Trust for Small Industries (CGTSI), Central Government and State Government.

The Bank has in place a collateral management policy, which underlines the eligibility requirements for credit risk mitigants (CRM) for capital computation as per Basel II guidelines. The Bank reduces its credit exposure to counterparty with the value of eligible financial collateral to take account of the risk mitigating effect of the collateral. To account for the volatility in the value of collateral, haircut is applied based on the type, issuer, maturity, rating and remargining/revaluation frequency of the collateral. The Bank revalues various financial collaterals at varied frequency depending on the type of collateral. The Bank has a valuation policy that covers processes for collateral valuation and empanelment of valuers.

**Details of total credit exposure (after on or off balance sheet netting) as on 31 March, 2011**

(₹ *in crores*)

| | **Amount** |
|---|---|
| Covered by : | |
| - Eligible financial collaterals after application of haircuts | 16,096.19 |
| - Guarantees/credit derivatives | 2,506.52 |

## VII. SECURITISATION

The primary objectives for undertaking securitisation activity by the Bank are enhancing liquidity, optimization of usage of capital and churning of the assets as part of risk management strategy.

The securitisation of assets generally being undertaken by the Bank is on the basis of "True Sale", which provides 100% protection to the Bank from default. All risks in the securitised portfolio are transferred to a Special Purpose Vehicle (SPV), except where the Bank provides subordination of cash flows to Senior Pass-Through Certificate (PTC) holders by retaining the junior tranche of the securitised pool.

The Bank enters into purchase/sale of corporate and retail loans through direct assignment/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 PTC holders.

The Bank follows the standardized approach prescribed by the RBI for the securitisation activities.

Gain on securitisation is recognized over the period of the underlying securities issued by the SPV. Loss on securitisation is immediately debited to profit and loss account. 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'.

The Bank uses the ratings assigned by various external credit rating agencies viz. CRISIL, ICRA, Fitch and CARE for its securitisation exposures.

All transfers of assets under securitisation were effected on true sale basis. In the financial year ended 31 March, 2011, the Bank has securitised ₹301.66 crores as an originator.

### A. Banking Book

**Details of Exposure Securitised by the Bank and subject to Securitisation Framework**

(₹ *in crores*)

| Sr. No. | Type of Securitisation | Amount |
|---|---|---|
| 1. | Total amount of exposures securitised | 301.66 |
| 2. | Losses recognised by the Bank during the current period | - |
| 3. | Amount of assets intended to be securitised within a year | - |
| | Of which | |
| | - Amount of assets originated within a year before securitisation | NA |
| 4. | Amount of exposures securitised | |
| | - Corporate Loans | 301.66 |
| 5. | Unrecognised gain or losses on sale | |
| | - Corporate Loans | - |

**Aggregate amount of Securitisation Exposures Retained or Purchased as on 31 March, 2011 is given below**

(₹ *in crores*)

| Sr. No. | Type of Securitisation | On Balance Sheet (Amount) | Off Balance Sheet (Amount) |
|---|---|---|---|
| 1. | Retained | - | - |
| 2. | Securities purchased | - | - |
| 3. | Liquidity facility | - | - |
| 4. | Credit enhancement (cash collateral) | - | - |
| 5. | Other commitments | - | - |

**Risk-weight wise Bucket Details of the Securitisation Exposures on the Basis of Book-Value**

(₹ *in crores*)

| | Amount | Capital charge |
|---|---|---|
| Below 100% risk weight | - | - |
| 100% risk weight | - | - |
| More than 100% risk weight | - | - |
| **Deductions** | | |
| - Entirely from Tier I capital | - | - |
| - Credit enhancing I/Os deducted from Total Capital | - | - |
| - Credit enhancement (cash collateral) | - | - |

**B. Trading Book**

**Details of Exposure Securitised by the Bank and subject to Securitisation Framework**

(₹ *in crores*)

| Sr. No. | Type of Securitisation | Amount |
|---|---|---|
| 1. | Aggregate amount of exposures securitised by the Bank for which the Bank has retained some exposures and which is subject to the market risk approach | NIL |

**Aggregate amount of Securitisation Exposures Retained or Purchased as on 31 March, 2011 is given below**

(₹ *in crores*)

| Sr. No. | Type of Securitisation | On Balance Sheet (Amount) | Off Balance Sheet (Amount) |
|---|---|---|---|
| 1. | Retained | - | - |
| 2. | Securities purchased | | |
| | - Corporate Loans | 52.83 | - |
| | - Lease Rental | 167.86 | - |
| 3. | Liquidity facility | - | - |
| 4. | Credit enhancement (cash collateral) | - | - |
| 5. | Other commitments | - | - |

**Risk-weight wise Bucket Details of the Securitisation Exposures on the Basis of Book-Value**

(₹ *in crores*)

| | | Amount | Capital charge |
|---|---|---|---|
| 1. | Exposures subject to Comprehensive Risk Measure for specific risk | | |
| | - Retained | - | - |
| | - Securities purchased | - | - |
| 2. | Exposures subject to the securitisation framework for specific risk | | |
| | Below 100% risk weight | 220.69 | 11.97 |
| | 100% risk weight | - | - |
| | More than 100% risk weight | - | - |
| 3. | Deductions | | |
| | - Entirely from Tier I capital | - | - |
| | - Credit enhancing I/Os deducted from Total Capital | - | - |
| | - Credit enhancement (cash collateral) | - | - |

## VIII. MARKET RISK IN TRADING BOOK

Market risk is the risk to the Bank's earnings and capital due to changes in the market level of interest rates, prices of securities, foreign exchange and equities, as well as the volatilities of those changes. The Bank is exposed to market risk through its trading activities, which are carried out both for customers and on a proprietary basis. The Bank adopts a comprehensive approach to market risk management for its trading, investment and asset/liability portfolios. For market risk management, the Bank uses:

- Non-statistical measures like position, gaps and sensitivities (duration, PVBP, option greeks)
- Statistical measures like Value at risk (VaR), supplemented by Stress Tests and Scenario Analysis

Risk limits such as position, gaps and sensitivities (duration, PVBP, option greeks) are set up according to a number of criteria including relevant market analysis, business strategy, management experience and the Bank's risk appetite. These limits are monitored on a daily basis and the exceptions are put up to ALCO. Risk limits are reviewed, at least, annually or more frequently, if deemed necessary, to maintain consistency with trading strategies and material developments in market conditions.

The Bank uses Historical Simulation and its variants for computing VaR for its trading portfolio. VaR is calculated at a 99% confidence level for a one-day holding period. The model assumes that the risk factor changes observed in the past are a good estimate of those likely to occur in the future and is, therefore, limited by the relevance of the historical data used. The Bank typically uses 500 days of historical data or two years of relative changes in historical rates and prices. The method, however, does not make any assumption about the nature or type of the loss distribution. The VaR models for different portfolios are back-tested at regular intervals and the results are used to maintain and improve the efficacy of the model. The VaR is computed on a daily basis for the trading portfolio and reported to the senior management of the Bank.

The VaR measure is supplemented by a series of stress tests and sensitivity analysis that estimates the likely behaviour of a portfolio under extreme but plausible conditions and its impact on earnings and capital. The Bank undertakes stress tests for market risks for its trading book, IRS, forex open position and forex gaps as well as for liquidity risk at the end of each quarter.

### Concentration Risk

The Bank has allocated the internal risk limits in order to avoid concentrations, wherever relevant. For example, the Aggregate Gap Limit is allocated to various currencies and maturities as Individual Gap Limits to monitor concentrations. Within the overall PV01 limit, a sub limit is set up which is not expected to be breached by trades linked to any individual benchmark.

### Liquidity Risk

Liquidity Risk is defined as the current and prospective risk to earnings or capital arising from a bank's inability to meet its current or future obligations on the due date. Liquidity risk is two-dimensional viz., risk of being unable to fund portfolio of assets at appropriate maturity and rates (liability dimension) and the risk of being unable to liquidate an asset in a timely manner at a reasonable price (asset dimension).

The Bank's ALM policy defines the gap limits for its structural liquidity position. The liquidity profile of the Bank is analyzed on a static basis by tracking all cash inflows and outflows in the maturity ladder based on the expected occurrence of cash flows. The liquidity profile of the Bank is also estimated on a dynamic basis by considering the growth in deposits and loans, investment obligations, etc. for a short-term period of three months. The Bank undertakes behavioral analysis of the non-maturity products viz. savings and current deposits and cash credit/overdraft accounts on a periodic basis, to ascertain the volatility of residual balances in those accounts. The renewal pattern and premature withdrawals of term deposits and drawdown of unavailed credit limits are also captured through behavioral studies. The concentration of large deposits is monitored on a periodic basis.

The Bank's ability to meet its obligations and fund itself in a crisis scenario is critical and accordingly, liquidity stress tests are conducted under different scenarios at periodical intervals to assess the impact on liquidity to withstand stressed conditions. The liquidity positions of overseas branches are managed in line with the Bank's internal policies and host country regulations. Such positions are also reviewed centrally by the Bank's ALCO along with domestic positions.

**Counterparty Risk**

The Bank has put in place appropriate guidelines to monitor counterparty risk covering all counterparty exposures on banks, primary dealers and financial institutions arising out of movement in market variables. Credit exposures to issuer of bonds, advances, etc. are monitored separately under the prudential norms for exposure to a single borrower as per the Bank's Corporate Credit Risk Policy or Investment Policy as applicable. Rating of counterparty banks, Primary Dealers and NBFCs and sanctioning of limits are done as per suitable rating Model laid down by the Bank. The Bank has also put in place the "Suitability & Appropriateness Policy" and Loan Equivalent Risk (LER) Policy to evaluate counterparty risk arising out of all customer derivatives contracts.

**Country Risk**

The Bank has put in place a risk monitoring system for the management of country risk. The Bank uses the seven-category classification i.e. insignificant, low, moderate, high, very high, restricted and off-credit followed by the Export Credit Guarantee Corporation Ltd. (ECGC) and ratings of international rating agency Dun & Bradstreet for monitoring the country exposures. The categorization of countries are undertaken at monthly intervals or at more frequent intervals if the situation so warrants. Exposure to a country includes all credit-related lending, trading and investment activities, whether cross border or locally funded. The Bank has set up exposure limits for each risk category as also per country exposure limits and are monitored at weekly intervals. In addition exposures to high risk, very high risk, restricted and off-credit countries are approved on a case to case basis.

**Risk Management Framework for Overseas Operations**

The Bank has put in place a comprehensive Risk Management Policy for its global operations, which presently includes branches in Singapore, Hong Kong, and Dubai. It has also formulated country-specific risk policy based on the host country regulators' guidelines. The Asset Liability Management and all the risk exposures for the overseas operations are monitored centrally at the Central Office.

**Capital Requirement for Market Risk – Position as on 31 March, 2011**

(₹ *in crores*)

| | **Amount of Capital Required** |
|---|---|
| - Interest rate risk | 1,152.74 |
| - Equity position risk | 193.73 |
| - Foreign exchange risk (including gold) | 32.19 |

## IX. OPERATIONAL RISK

**Strategies and Processes**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk management (ORM) framework, ORM policy, operational risk loss data collection methodology, risk & control self-assessment framework, key risk indicator framework, roles and responsibilities of ORM function have been approved by the Bank to ensure that operational risk within the Bank is properly identified, assessed, monitored, controlled/mitigated and reported in a structured manner.

Based on the above policy/framework/methodologies, the Bank has initiated several measures to manage operational risk. The Bank has put in place a hierarchical structure to effectively manage operational risk through the formation of several internal committees viz., Operational Risk Management Committee (ORMC), Product Management Committee (PMC), Change Management Committee (CMC), Outsourcing Committee, Software Evaluation Committee and IT

Security Committee. The functioning of these committees has stabilised. The Risk Department acts as the convenor of ORMC and is a member in PMC, CMC, Outsourcing Committee, Software Evaluation Committee and IT Security Committee.

The Bank has further enhanced its capability for effective management of operational risk with the implementation of a software solution (OR Monitor) which creates a database on loss events experienced by the different business lines of the Bank, identify areas which show manifestation of weak controls through Risk & Control Self Assessment (RCSA) and Key Risk Indicator (KRI) modules, and over a period would enable the Bank to adopt sophisticated approaches for the computation of capital for operational risk.

**Structure and Organization**

The Risk Management Committee (RMC) of the Board at the apex level is the policy making body. RMC is supported by the Operational Risk Management Committee (ORMC), consisting of Senior Management personnel, which is responsible for implementation of the Operational Risk policies of the Bank. This internal committee supervises effective monitoring of operational risk and the implementation of software driven framework for enhanced capability to manage operational risk. A sub-committee of ORMC (Sub-ORMC) has been constituted to assist the ORMC in discharging its functions by deliberating the operational risk issues in detail and escalating the critical issues to ORMC.

**Scope and Nature of Operational Risk Reporting and Measurement Systems**

A systematic process for reporting risks, losses, "near misses" and non-compliance issues relating to operational risks has been developed and implemented. The information gathered is being used to develop triggers to initiate corrective actions to improve controls. All critical risks and potential loss events would be reported to the Senior Management/ ORMC/RMC as appropriate, for their directions and suggestions.

**Policies for Hedging and Mitigating Operational risk**

An Operational Risk Management Policy approved by the Risk Management Committee of the Board details the framework for hedging and/or mitigating operational risk in the Bank. Business units put in place basic internal controls as approved by the Product Management Committee to ensure appropriate controls in the operating environment throughout the Bank. As per the policy, all new products are being vetted by the Product Management Committee to identify and assess potential operational risks involved and suggest control measures to mitigate the risks. Each new product or service introduced is subject to a risk review and signoff process where all relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product. Similarly, any changes to the existing products/processes are being vetted by the Change Management Committee. In addition to the above, the business departments submit Action Taken Reports, after implementation of the product, to the Product Management Committee for their review. The product is also independently reviewed by the Inspection & Audit Department of the Bank.

**Approach for Operational Risk Capital Assessment**

As per the RBI guidelines, the Bank has followed the Basic Indicator Approach for the year ending 31 March, 2011. The Bank is also ready for compilation of capital charge for operational risk under the Standardised Approach. The Bank has put in place a structure for identifying gaps in internal controls across the entire Bank. Simultaneously, the Bank is preparing itself for migration to the Advanced Measurement Approach. The Bank has procured a web-based solution i.e. OpRisk Monitor from SAS for assessing/measuring and monitoring the operational risk issues.

## X. INTEREST RATE RISK IN THE BANKING BOOK

The Bank assesses its exposure to interest rate risk in the banking book at the end of each quarter considering a drop in market value of investments with 50 bps change in interest rates. Calculation of interest rate risk in the banking book (IRRBB) is based on a present value perspective with cash flows discounted at zero coupon yields published by National Stock Exchange (NSE) for domestic balance sheet and USD LIBOR for overseas balance sheet. Other currencies are taken in equivalent base currencies (INR for domestic books and USD for overseas branches) as the Bank does not have material exposures to other currencies as a percentage of the balance sheet. Cash flows are assumed to occur at the middle of the regulatory buckets. Non-interest sensitive products like cash, current account, capital, volatile portion of savings bank deposits, etc. are excluded from the computation. The Bank does not run a position on interest rate options that might result in non-linear pay-off. Future interest cash flows from outstanding balances are included in the analysis.

The Earnings at Risk (EaR) measures the sensitivity of net interest income to parallel movement in interest rates on the entire balance sheet, and is reported to the senior management on a weekly basis.

Details of increase (decline) in earnings and economic value for upward and downward rate shocks based on balance sheet as on 31 March, 2011 are given below:

**Earnings Perspective**

(₹ *in crores*)

| **Country** | **Interest Rate Shock** | |
|---|---|---|
| | **0.50%** | **(-) 0.50%** |
| India | (67.87) | 67.87 |
| Overseas | 8.62 | (8.62) |
| **Total** | **(59.25)** | **59.25** |

**Economic Value Perspective**

(₹ *in crores*)

| **Country** | **Interest Rate Shock** | |
|---|---|---|
| | **0.50%** | **(-) 0.50%** |
| India | 310.77 | (302.66) |
| Overseas | 35.60 | (36.74) |
| **Total** | **346.37** | **(339.40)** |

# BANK'S NETWORK : LIST OF CENTRES AS ON 31 MARCH, 2011

| State/ UT | Centre |
|---|---|
| Andaman & Nicobar UT | Port Blair |
| Andhra Pradesh | Adilabad |
| | Adoni |
| | Alamuru |
| | Alwal |
| | Anantapur |
| | Bapatla |
| | Bibinagar |
| | Bobilli |
| | Chevella |
| | Chillakallu |
| | Chinnamiram |
| | Chirala |
| | Chittoor |
| | Edarapalli |
| | Eluru |
| | Gachibowli |
| | Gajuwaka |
| | Gopalapatnam |
| | Gudivada |
| | Guntur |
| | Hindupur |
| | Hyderabad |
| | Jangareddigudem |
| | Kadapa |
| | Kakinada |
| | Kamareddy |
| | Karimnagar |
| | Kasibugga |
| | Khammam |
| | Kompally |
| | Kukatpally |
| | Kurnool |
| | L B Nagar |
| | Machilipatnam |
| | Mahbubnagar |
| | Malkajgiri |
| | Miryalguda |
| | Muthukur |
| | Nalgonda |
| | Nandyal |
| | Narasaraopet |
| | Nellore |
| | Nizamabad |
| | Nuzvid |
| | Ongole |
| | P L Puram |
| | Paidiparru |
| | Patancheru |
| | Poolapalle |
| | Proddatur |
| | Quthbullapur |
| | Rajahmundry |
| | Rajam |
| | Rajampet |
| | Ramagundam |
| | Repalle |
| | Sangareddy |
| | Sathupally |
| | Serilingampally |
| | Shamshabad |
| | Srikakulam |
| | Tadepalligudem |
| | Tadpatri |
| | Tenali |
| | Tirupati |
| | Uppal Kalan |
| | Vijayawada |
| | Visakhapatnam |
| | Vizianagaram |
| | Warangal |
| | Zahirabad |
| Arunachal Pradesh | Itanagar |
| Assam | Barpeta Road |
| | Biswanath Chariali |
| | Bongaigaon |
| | Dhubri |
| | Dibrugarh |
| | Duliajan |
| | Goalpara |
| | Golaghat |
| | Guwahati |
| | Jorhat |
| | Karimganj |
| | Khanapara |
| | Mangaldoi |
| | Nagaon |
| | Nalbari |
| | Noonmati |
| | North Lakhimpur |
| | Sibsagar |
| | Silchar |
| | Tezpur |
| | Tinsukia |
| Bihar | Arrah |
| | Aurangabad |
| | Begusarai |
| | Bettiah |
| | Bhagalpur |
| | Biharsharif |
| | Chapra |
| | Darbhanga |
| | Gaya |
| | Gopalganj |
| | Hajipur |
| | Katihar |
| | Kishanganj |
| | Madhubani |
| | Motihari |
| | Munger |
| | Muzaffarpur |
| | Patna |
| | Purnia |
| | Saharsa |
| | Samastipur |
| | Sasaram |
| | Sitamarhi |
| | Siwan |
| Chandigarh UT | Chandigarh |
| | Manimajra |
| Chattisgarh | Abhanpur |
| | Ambikapur |
| | Bhatapara |
| | Bhilai |
| | Bilaspur |
| | Champa |
| | Dhamtari |
| | Dongargarh |
| | Durg |
| | Jagdalpur |
| | Kawardha |

| State/ UT | Centre |
|---|---|
| | Korba |
| | Mahasamund |
| | Manendragarh |
| | Raigarh |
| | Raipur |
| | Rajim |
| | Rajnandgaon |
| | Sakti |
| | Urla |
| | Jashpurnagar |
| Dadra & Nagar UT | Silvassa |
| Daman & Diu UT | Daman |
| Delhi | Delhi |
| Goa | Agaciam |
| | Candolim |
| | Mapusa |
| | Margao |
| | Panaji |
| | Ponda |
| | Vasco |
| Gujarat | Ahmedabad |
| | Amreli |
| | Anand |
| | Ankleshwar |
| | Atul |
| | Bagasara |
| | Bardoli |
| | Bharuch |
| | Bhavnagar |
| | Bhuj |
| | Bopal |
| | Botad |
| | Chandlodiya |
| | Chhatral |
| | Chikhli |
| | Dahej |
| | Dahod |
| | Deesa |
| | Devgad Baria |
| | Dhoraji |
| | Dhrangadhra |
| | Dhrol |
| | Dwarka |
| | Gadhada |
| | Gandhidham |
| | Gandhinagar |

| State/ UT | Centre |
|---|---|
| | Gariadhar |
| | Godhra |
| | Gondal |
| | Halol |
| | Harij |
| | Himatnagar |
| | Idar |
| | Jamjodhpur |
| | Jamnagar |
| | Jetpur-Navagadh |
| | Junagadh |
| | Kalavad |
| | Kalol |
| | Keshod |
| | Khambalia |
| | Lathi |
| | Madhapar |
| | Mahuva |
| | Manavadar |
| | Mehsana |
| | Metoda |
| | Modasa |
| | Morbi |
| | Mundra |
| | Nadiad |
| | Naranpar |
| | Navagam |
| | Navsari |
| | Paddhari |
| | Palanpur |
| | Patan |
| | Pipavav |
| | Porbandar |
| | Radhanpur |
| | Rajkot |
| | Rajpipla |
| | Rajula |
| | Sanand |
| | Surat |
| | Surendranagar |
| | Talaja |
| | Tarasadi |
| | Umbergaon |
| | Unjha |
| | Vadodara |
| | Vallabh Vidyanagar |
| | Valsad |

| State/ UT | Centre |
|---|---|
| | Vapi |
| | Vejalpur |
| | Veraval |
| | Visavadar |
| | Visnagar |
| | Vyara |
| Haryana | Ambala |
| | Bahadurgarh |
| | Bhiwani |
| | Cheeka |
| | Faridabad |
| | Fatehabad |
| | Gurgaon |
| | Hissar |
| | Jakhal |
| | Jhajjar |
| | Jind |
| | Kaithal |
| | Kalka |
| | Karnal |
| | Kundli |
| | Kurukshetra |
| | Manesar |
| | Narnaul |
| | Palwal |
| | Panchkula |
| | Panipat |
| | Ratia |
| | Rewari |
| | Rohtak |
| | Sadaura |
| | Safidon |
| | Sirsa |
| | Sonipat |
| | Tohana |
| | Yamunanagar |
| Himachal Pradesh | Baddi |
| | Shimla |
| | Solan |
| | Una |
| Jammu & Kashmir | Jammu |
| | Srinagar |
| Jharkhand | Bokaro |
| | Chaibasa |
| | Daltonganj |
| | Deoghar |
| | Dhanbad |

| State/ UT | Centre |
|---|---|
| | Dumka |
| | Gamaria |
| | Giridih |
| | Hazaribagh |
| | Jamshedpur |
| | Kodarma |
| | Ramgarh |
| | Ranchi |
| Karnataka | Athni |
| | Bagalkot |
| | Bangalore |
| | Belgaum |
| | Bellary |
| | Bidadi |
| | Bidar |
| | Bijapur |
| | Chamarajanagar |
| | Chickmagalur |
| | Chikodi |
| | Chintamani |
| | Chitradurga |
| | Davangere |
| | Devadurga |
| | Devanahalli |
| | Dod Ballapur |
| | Gadag |
| | Gangawati |
| | Gokak |
| | Gulbarga |
| | Hassan |
| | Haveri |
| | Hoskote |
| | Hospet |
| | Hubli-Dharwad |
| | Jamkhandi |
| | Karwar |
| | Kolar |
| | Koppal |
| | Kundapura |
| | Kushalnagar |
| | Kushtagi |
| | Mandya |
| | Mangalore |
| | Manvi |
| | Marlanhalli |
| | Mysore |
| | Nelamangala |

| State/ UT | Centre |
|---|---|
| | Puttur |
| | Raichur |
| | Ranibennur |
| | Saidapur |
| | Sandur |
| | Sedam |
| | Shahpur |
| | Shimoga |
| | Sindhnur |
| | Sirsi |
| | Siruguppa |
| | Tiptur |
| | Tumkur |
| | Udupi |
| | Yadgir |
| Kerala | Alappuzha |
| | Aluva |
| | Attingal |
| | Calicut (Kozhikode) |
| | Irinjalakuda |
| | Kannur |
| | Kasargod |
| | Kazhakuttam |
| | Kochi |
| | Kollam |
| | Kottakkal |
| | Kottarakkara |
| | Kottayam |
| | Malappuram |
| | Manjeri |
| | Mavelikkara |
| | Palai |
| | Palakkad |
| | Pathanamthitta |
| | Payyannur |
| | Perinthalmanna |
| | Perumbavoor |
| | Sulthanbathery |
| | Thalassery |
| | Thiruvananthapuram |
| | Thodupuzha |
| | Thrikkakara |
| | Thrippunithura |
| | Thrissur |
| | Tiruvalla |
| | Vadakara |
| Madhya Pradesh | Ashok Nagar |

| State/ UT | Centre |
|---|---|
| | Balaghat |
| | Barwani |
| | Beetul |
| | Bhind |
| | Bhopal |
| | Bina |
| | Burhanpur |
| | Chhatarpur |
| | Chhindwara |
| | Damoh |
| | Datia |
| | Dewas |
| | Dhar |
| | Gawli Palasia |
| | Guna |
| | Gwalior |
| | Harda |
| | Hoshangabad |
| | Indore |
| | Itarsi |
| | Jabalpur |
| | Jhabua |
| | Kalapipal |
| | Katni |
| | Khandwa |
| | Khargone |
| | Lasudia Mori |
| | Mandsaur |
| | Morena |
| | Narsimhapur |
| | Neemuch |
| | Pipariya |
| | Pithampur |
| | Raisen |
| | Ratlam |
| | Rewa |
| | Sagar |
| | Satna |
| | Sehore |
| | Sendhwa |
| | Seoni |
| | Shahdol |
| | Shahpura |
| | Shajapur |
| | Sheopur |
| | Shivpuri |
| | Sidhi |

| State/ UT | Centre |
|---|---|
| | Tikamgarh |
| | Ujjain |
| | Vidisha |
| | Waidhan |
| Maharashtra | Ahmednagar |
| | Akluj |
| | Akola |
| | Ambernath |
| | Amravati |
| | Aurangabad |
| | Badlapur |
| | Baramati |
| | Barshi |
| | Beed |
| | Bhandara |
| | Bhiwandi |
| | Bhusawal |
| | Boisar |
| | Buldhana |
| | Chakan |
| | Chalisgaon |
| | Chandrapur |
| | Chiplun |
| | Devalali |
| | Dhule |
| | Dindori |
| | Dombivali |
| | Ghoti |
| | Gondia |
| | Hingna |
| | Hinjewadi |
| | Ichalkaranji |
| | Islampur |
| | Jalgaon |
| | Jalna |
| | Kagal |
| | Kalyan |
| | Karad |
| | Khamgaon |
| | Khed-Shivapur |
| | Kolhapur |
| | Lasalgaon |
| | Latur |
| | Malegaon |
| | Mira-Bhayander |
| | Miraj |
| | Mumbai |

| State/ UT | Centre |
|---|---|
| | Murbad |
| | Nagpur |
| | Nalasopara |
| | Nanded |
| | Nandurbar |
| | Nashik |
| | Navi Mumbai |
| | Osmanabad |
| | Pandharpur |
| | Panvel |
| | Paratwada |
| | Parbhani |
| | Pen |
| | Phaltan |
| | Pimpalgaon |
| | Pimpri Chinchwad |
| | Pune |
| | Rahuri-Khurd |
| | Ratnagiri |
| | Sangamner |
| | Sangli |
| | Satara |
| | Shikrapur |
| | Shirdi |
| | Shrirampur |
| | Solapur |
| | Tasgaon |
| | Thane |
| | Tuljapur |
| | Ulhasnagar |
| | Vasai |
| | Virar |
| | Wai |
| | Waluj |
| | Wardha |
| | Washim |
| | Yavatmal |
| | Yevla |
| | Yewat |
| Manipur | Imphal |
| Meghalaya | Jowai |
| | Shillong |
| | Tura |
| Mizoram | Aizawl |
| Nagaland | Dimapur |
| | Kohima |
| | Mokokchung |

| State/ UT | Centre |
|---|---|
| Orissa | Angul |
| | Balasore |
| | Barbil |
| | Bargarh |
| | Baripada |
| | Berhampur (Ganjam) |
| | Bhadrak |
| | Bhanjanagar |
| | Bhawanipatna |
| | Bhubaneswar |
| | Bolangir |
| | Chandanpur |
| | Chandikhole |
| | Cuttack |
| | Dhamraport |
| | Dhenkanal |
| | Dumuduma |
| | Gunupur |
| | Jagatpur |
| | Jajpur |
| | Jaleswar |
| | Jatni |
| | Jeypore |
| | Jharsuguda |
| | Kendrapara |
| | Keonjhar |
| | Nabrangpur |
| | Nawapara (Nuapada) |
| | Nayagarh |
| | Nimapara |
| | Paradip |
| | Parlakhemundi |
| | Puri |
| | Rairangpur |
| | Rajgangpur |
| | Rayagada |
| | Rourkela |
| | Sambalpur |
| | Sundargarh |
| | Talcher |
| | Titlagarh |
| Pondicherry UT | Pondicherry |
| Punjab | Abohar |
| | Adampur |
| | Adda Dhaka |
| | Ajnala |
| | Amloh |

| State/ UT | Centre |
|---|---|
| | Amritsar |
| | Bagha Purana |
| | Banga |
| | Barnala |
| | Batala |
| | Bathinda |
| | Begowal |
| | Bhogpur |
| | Bikhiwind |
| | Budhlada |
| | Chogawan |
| | Dasuya |
| | Dera Baba Nanak |
| | Derabassi |
| | Devigarh |
| | Dhariwal |
| | Dhilwan |
| | Dinanagar |
| | Faridkot |
| | Fatehgarh Churian |
| | Ferozepur |
| | Gardhiwala |
| | Garhshankar |
| | Gehri Mandi |
| | Gobindgarh |
| | Goraya |
| | Gurdaspur |
| | Hoshiarpur |
| | Jagraon |
| | Jalandhar |
| | Jhabal Kalan |
| | Kapurthala |
| | Khadaur Sahib |
| | Khanna |
| | Kotkapura |
| | Lambra |
| | Landran |
| | Ludhiana |
| | Malerkotla |
| | Malout |
| | Mansa |
| | Miani Khas |
| | Moga |
| | Mohali |
| | Mukerian |
| | Muktsar |
| | Mundian Kalan |
| | Nabha |
| | Nakodar |
| | Nawanshahr |
| | Pathankot |
| | Patiala |
| | Patti |
| | Phagwara |
| | Phillaur |
| | Phullanwala |
| | Qadian |
| | Rajpura |
| | Ramasara |
| | Rayya |
| | Rupnagar |
| | Samana |
| | Sangrur |
| | Shahkot |
| | Sri Hargobindpur |
| | Sudhar |
| | Sultanpur Lodhi |
| | Tarn Taran |
| | Threeke |
| | Urmar Tanda |
| Rajasthan | Abu Road |
| | Ajmer |
| | Alwar |
| | Balotra |
| | Bandikui |
| | Banswara |
| | Barmer |
| | Bayana |
| | Bharatpur |
| | Bhilwara |
| | Bhiwadi |
| | Bikaner |
| | Bilara |
| | Bundi |
| | Chirawa |
| | Chittaurgarh |
| | Churu |
| | Dausa |
| | Deeg |
| | Dungarpur |
| | Ganganagar |
| | Hanumangarh |
| | Jaipur |
| | Jalore |
| | Jhalawar |
| | Jhunjhunu |
| | Jodhpur |
| | Khairthal |
| | Khandela |
| | Khatoo Shyamji |
| | Kherli |
| | Kota |
| | Lachhmangarh |
| | Lalsot |
| | Mahwa |
| | Mandawa |
| | Merta City |
| | Mukandgarh |
| | Nadbai |
| | Nagar |
| | Nagaur |
| | Nohar |
| | Pali |
| | Phalodi |
| | Pilani |
| | Pilibanga |
| | Pipar City |
| | Ramgarh |
| | Rawatbhata |
| | Rawatsar |
| | Reengus |
| | Sangaria |
| | Sawai Madhopur |
| | Sikar |
| | Sri Madhopur |
| | Udaipur |
| Sikkim | Gangtok |
| | Namchi |
| | Rangpo |
| Tamil Nadu | Ambattur |
| | Ammapettai |
| | Anthiyur |
| | Appakudal |
| | Aranthangi |
| | Arni |
| | Attur |
| | Ayothiapatinam |
| | Chengalpattu |
| | Chennai |
| | Chidambaram |
| | Coimbatore |

| State/ UT | Centre |
|---|---|
| | Cuddalore |
| | Cumbum |
| | Dharmapuri |
| | Dindigul |
| | Edanganasalai |
| | Edappadi |
| | Eraiyur |
| | Erode |
| | Hosur |
| | Ilanji |
| | Irungattukottai |
| | Kallakkurichi |
| | Kancheepuram |
| | Kangeyam |
| | Karaikudi |
| | Karamadai |
| | Karumathampatti |
| | Karur |
| | Kelambakkam |
| | Kumbakonam |
| | Labbaikudikadu |
| | Lalgudi |
| | Madurai |
| | Maduranthakam |
| | Mallasamudram |
| | Manachanallur |
| | Mayiladuthurai |
| | Mecheri |
| | Medavakkam |
| | Mettunasuvampalayam |
| | Mettupalayam |
| | Mettur |
| | Musiri |
| | Nagapattinam |
| | Nagercoil |
| | Nasiyanur |
| | Omalur |
| | Ooty |
| | Palladam |
| | Pallavaram |
| | Paramkudi |
| | Pattukottai |
| | Perambalur |
| | Periasemur |
| | Pollachi |
| | Poonamallee |
| | Pudukkottai |
| | Rajapalayam |
| | Ramanathapuram |
| | Rasipuram |
| | Salem |
| | Sarkarsamakulam |
| | Sathyamangalam |
| | Selaiyur |
| | Sivakasi |
| | Taramangalam |
| | Thanjavur |
| | Theni |
| | Thirukarungudi |
| | Thiruvallur |
| | Thiruvarur |
| | Thondamuthur |
| | Thuraiyur |
| | Tiruchengode |
| | Tiruchirapalli |
| | Tirunelveli |
| | Tirupur |
| | Tiruttani |
| | Tiruvannamalai |
| | Tuticorin |
| | Vazhapadi |
| | Vellakoil |
| | Vellore |
| | Villupuram |
| | Virudhunagar |
| Tripura | Agartala |
| | Dharmanagar |
| Uttar Pradesh | Agra |
| | Aligarh |
| | Allahabad |
| | Amroha |
| | Azamgarh |
| | Badaun |
| | Baghpat |
| | Bahraich |
| | Ballia |
| | Balrampur |
| | Barabanki |
| | Bareilly |
| | Basti |
| | Bhadohi |
| | Bijnor |
| | Bulandshahr |
| | Chandausi |
| | Deoria |
| | Etah |
| | Etawah |
| | Faizabad |
| | Farrukhabad |
| | Fatehpur |
| | Firozabad |
| | Gajraula |
| | Ghaziabad |
| | Ghazipur |
| | Gonda |
| | Gorakhpur |
| | Hapur |
| | Hardoi |
| | Hathras |
| | Jaunpur |
| | Jhansi |
| | Kannauj |
| | Kanpur |
| | Khatauli |
| | Khurja |
| | Kosikalan |
| | Lakhimpur-Kheri |
| | Lucknow |
| | Maharajganj |
| | Mainpuri |
| | Mathura |
| | Meerut |
| | Mirzapur |
| | Moradabad |
| | Muzaffarnagar |
| | Najibabad |
| | Noida |
| | Padrauna |
| | Pilibhit |
| | Pratapgarh |
| | Rae Bareli |
| | Rampur |
| | Saharanpur |
| | Shahjahanpur |
| | Sitapur |
| | Sultanpur |
| | Unnao |
| | Varanasi |
| | Vrindavan |
| Uttarakhand | Bazpur |
| | Dehradun |

| State/ UT | Centre |
|---|---|
| | Haridwar |
| | Kashipur |
| | Mussoorie |
| | Pandri |
| | Rishikesh |
| | Roorkee |
| | Rudrapur |
| | Talli Haldwani |
| West Bengal | Alipurduar |
| | Amtala |
| | Andul |
| | Arambagh |
| | Asansol |
| | Bagnan |
| | Baharampur |
| | Baidyabati |
| | Bally |
| | Balurghat |
| | Bankura |
| | Barrackpore |
| | Baruipur |
| | Basirhat |
| | Belghoria |
| | Bolpur |
| | Bongaon |
| | Boral |
| | Burdwan |
| | Chandernagore |
| | Chinsurah |
| | Contai |
| | Dakshineswar |
| | Dalkhola |
| | Dankuni |
| | Darjeeling |
| | Diamond Harbour |
| | Domjur |
| | Dum Dum |
| | Durgapur |
| | Fulia |
| | Habra |
| | Haldia |
| | Howrah |
| | Jalpaiguri |
| | Kalimpong |
| | Kalna |
| | Kalyani |
| | Kanchrapara |

| State/ UT | Centre |
|---|---|
| | Kandi |
| | Katwa |
| | Kharagpur |
| | Khardaha |
| | Koch Bihar |
| | Kolkata |
| | Konnagar |
| | Krishnanagar |
| | Madhyamgram |
| | Mahestala |
| | Malda |
| | Medinipur |
| | Memari |
| | Nabadwip |
| | Nabapally |
| | Naihati |
| | Narendrapur |
| | New Garia |
| | Nimta |
| | Panagarh |
| | Panihati |
| | Panskura |
| | Puruliya |
| | Raghunathganj |
| | Raiganj |
| | Rajarhat |
| | Rajpur-Sonarpur |
| | Rampurhat |
| | Ranaghat |
| | Raniganj |
| | Rishra |
| | Serampore |
| | Shyamnagar |
| | Siliguri |
| | Singur |
| | Suri |
| | Tamluk |
| | Tarakeswar |
| | Uttarpara |
| Grand Total | 921 |
| Overseas | Singapore |
| | Hong Kong |
| | Dubai |
| | Shanghai |
| | Abu Dhabi |