The information in this Preliminary Placement Document is not complete and may be changed. The Issue is meant only for Eligible QIBs on a private placement basis and is not an offer to the public or to any other class of investors to purchase the Equity Shares. This Preliminary Placement Document is not an offer to sell any Equity Shares and is not soliciting an offer to subscribe or buy the Equity Shares in any jurisdiction where such offer or sale is not permitted. The Preliminary Placment Document is being issued for the sole purpose of information or discussion relating to the Equity Shares that may be Allotted through the Placement Document.

HDFC BANK
We understand your world

HDFC BANK LIMITED

*HDFC Bank Limited (the "**Bank**") was incorporated on August 30, 1994 under the Companies Act, 1956.*

Registered and Corporate Office: HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013.

Telephone: 022 6652 1000; **Facsimile**: 022 24960739; **E-mail**: shareholder.grievances@hdfcbank.com

Website: www.hdfcbank.com; **Corporate Identity Number**: L65920MH1994PLC080618

The Bank is issuing [●] Equity Shares (as defined below) at a price of ₹ [●] per Equity Share (the "**Issue Price**"), including a premium of ₹ [●] per Equity Share, aggregating to ₹ [●] million (the "**Issue**"). For further details, see the section "Summary of the Issue" on page 33.

ISSUE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED (THE "SEBI ICDR REGULATIONS") AND SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED, READ WITH THE RULES THEREUNDER.

The equity shares of the Bank of face value of ₹ 2 each (the "**Equity Shares**") are listed on National Stock Exchange of India Limited ("**NSE**") and BSE Limited ("**BSE**", together with NSE, the "**Stock Exchanges**"). The closing price of the outstanding Equity Shares on BSE and NSE on July 27, 2018 was ₹ 2,203.40 and ₹ 2,202.15 per Equity Share, respectively. In-principle approvals under Regulation 28(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "**SEBI Listing Regulations**") for listing of the Equity Shares issued pursuant to the Issue, have been received from each of BSE and NSE on July 27, 2018. Applications shall be made for obtaining the listing and trading approvals for the Equity Shares to be issued pursuant to the Issue on the Stock Exchanges. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to be issued pursuant to the Issue for trading on the Stock Exchanges should not be taken as an indication of the merits of the business of the Bank or of the Equity Shares.

THE BANK HAS PREPARED THIS PRELIMINARY PLACEMENT DOCUMENT SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE. THE ISSUE AND THE DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IS BEING MADE TO EILIGIBLE QIBS (AS DEFINED BELOW) IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER, AND CHAPTER VIII OF THE SEBI ICDR REGULATIONS. THIS PRELIMINARY PLACEMENT DOCUMENT IS PERSONAL TO EACH BIDDER AND DOES NOT CONSTITUTE AN OFFER OR INVITATION TO OFFER OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS OTHER THAN TO QIBs IN INDIA.

YOU MAY NOT AND ARE NOT AUTHORISED TO (1) DELIVER THIS PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON; (2) REPRODUCE THIS PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER; OR (3) UTILIZE ANY MEDIA, MARKETING OR DISTRIBUTION CHANNELS OR AGENTS TO INFORM THE PUBLIC AT LARGE. ANY DISTRIBUTION OR REPRODUCTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI ICDR REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

INVESTMENTS IN EQUITY SHARES INVOLVE A DEGREE OF RISK AND BIDDERS SHOULD NOT INVEST IN THE ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENT. BIDDERS ARE ADVISED TO CAREFULLY READ THE SECTION "RISK FACTORS" ON PAGE 39 BEFORE MAKING AN INVESTMENT DECISION RELATING TO THE ISSUE. EACH BIDDER IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE PARTICULAR CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES BEING ISSUED PURSUANT TO THIS PRELIMINARY PLACEMENT DOCUMENT.

A copy of this Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4 (as defined hereinafter)) has been delivered to the Stock Exchanges. A copy of the Placement Document (which shall also include disclosures prescribed under Form PAS-4) shall be delivered to the Stock Exchanges and the Registrar of Companies, Maharashtra at Mumbai (the "**RoC**") and the Securities and Exchange Board of India ("**SEBI**"). The Bank shall also make the requisite filings with the RoC and SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014. This Preliminary Placement Document has not been reviewed by SEBI, the Reserve Bank of India (the "**RBI**"), the Stock Exchanges, the RoC or any other regulatory or listing authority and is intended only for use by Eligible QIBs (as defined below). This Preliminary Placement Document has not been and will not be registered as a prospectus with the RoC, will not be circulated or distributed to the public in India or any other jurisdiction, and will not constitute a public offer in India or any other jurisdiction. This Preliminary Placement Document has been prepared by the Bank solely for providing information in connection with the Issue.

Invitations for subscription of Equity Shares to be issued pursuant to the Issue shall only be made pursuant to the Preliminary Placement Document together with the Application Form (as defined hereafter) and the Placement Document and the Confirmation of Allotment Note (as defined hereafter). For further details, see the section "Issue Procedure" on page 177. The distribution of this Preliminary Placement Document or the disclosure of its contents without the Bank's prior consent to any person, other than Eligible QIBs and persons retained by Eligible QIBs to advise them with respect to their purchase of Equity Shares, is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and unless so registered, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S ("**Regulation S**") under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold outside the United States in an "offshore transaction" (as defined in Regulation S) in reliance on Regulation S. The Equity Shares are transferable only in accordance with the restrictions described under "Transfer Restrictions" on page 200.

THIS ISSUE IS BEING MADE ONLY TO ELIGIBLE QIBs AND THE EQUITY SHARES IN THIS ISSUE WILL NOT IN ANY CIRCUMSTANCE BE OFFERED TO PERSONS IN ANY JURISDICTION OUTSIDE INDIA.

The information on the Bank's website or any website directly or indirectly linked to the Bank's website or on the respective websites of the Lead Managers (as defined hereinafter) or of their respective affiliates does not constitute or form part of this Preliminary Placement Document and Bidders should not rely on such information contained in, or available through, any such websites.

BOOK RUNNING LEAD MANAGERS

Merrill Lynch A subsidiary of Bank of America Corporation	Credit Suisse	J.P.Morgan	Morgan Stanley
DSP Merrill Lynch Limited	**Credit Suisse Securities (India) Private Limited**	**J.P. Morgan India Private Limited**	**Morgan Stanley India Company Private Limited**
Edelweiss Ideas create, values protect	IIFL	JM FINANCIAL	Motilal Oswal
Edelweiss Financial Services Limited	**IIFL Holdings Limited**	**JM Financial Limited**	**Motilal Oswal Investment Advisors Limited**

This Preliminary Placement Document is dated July 30, 2018.

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NOTICE TO INVESTORS

The Bank has furnished and accepts full responsibility for all of the information contained in this Preliminary Placement Document and confirms that to the best of its knowledge and belief, having made all reasonable enquiries, this Preliminary Placement Document contains all information with respect to the Bank, its Subsidiaries and the Equity Shares which is material in the context of the Issue. The statements contained in this Preliminary Placement Document relating to the Bank, its Subsidiaries and the Equity Shares are, in all material respects, true and accurate and not misleading, and the opinions and intentions expressed in this Preliminary Placement Document with regard to the Bank, its Subsidiaries and the Equity Shares are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and information presently available to the Bank. There are no other facts in relation to the Bank, its Subsidiaries and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Preliminary Placement Document misleading in any material respect. Further, the Bank has made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements.

The Lead Managers have not separately verified all the information contained in this Preliminary Placement Document (financial, legal or otherwise). Accordingly, neither the Lead Managers nor any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the Lead Managers as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Preliminary Placement Document acknowledges that such person has not relied on either the Lead Managers or on any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates in connection with such person’s investigation of the accuracy of such information or such person’s investment decision, and each such person must rely on its own examination of the Bank and the merits and risks involved in investing in the Equity Shares.

No person is authorised to give any information or to make any representation not contained in this Preliminary Placement Document and any information or representation not so contained must not be relied upon as having been authorised by, or on behalf of the Bank or by or on behalf of the Lead Managers. The delivery of this Preliminary Placement Document at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

The Equity Shares issued pursuant to the Issue have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction. No authority has passed on or endorsed the merits of the Issue or the accuracy or adequacy of this Preliminary Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions.

The distribution of this Preliminary Placement Document or the disclosure of its contents without the prior consent of the Bank to any person, other than QIBs specified by the Lead Managers or their representatives, and those retained by QIBs to advise them with respect to their purchase of the Equity Shares is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

The distribution of this Preliminary Placement Document and the issue of the Equity Shares may be restricted in certain jurisdictions by law. As such, this Preliminary Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by the Bank and the Lead Managers which would permit an offering of the Equity Shares or distribution of this Preliminary Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering material in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered sold, taken up, resold, renounced, exercised, pledged, transferred or delivered, directly or indirectly, in or into the United States (as defined in Regulation S under the Securities Act

(“**Regulation S**”)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Equity Shares are being offered and sold only outside the United States in “offshore transactions” (as defined in Regulation S) in reliance on Regulation S. The Equity Shares are transferable only in accordance with the restrictions described in the section “Transfer Restrictions” on page 200. Until 40 days after the commencement of the offering of the Equity Shares, an offer or sale of Equity Shares within the United States by a dealer (whether or not it is participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in transactions exempt from the registration requirements of the Securities Act. Subscribers of the Equity Shares will be deemed to make the representations set forth in the sections “Representations by Investors” and “Transfer Restrictions” on pages 3 and 200, respectively. **THIS ISSUE IS BEING MADE ONLY TO ELIGIBLE QIBs AND THE EQUITY SHARES IN THIS ISSUE WILL NOT IN ANY CIRCUMSTANCE BE OFFERED TO PERSONS IN ANY JURISDICTION OUTSIDE INDIA.**

In making an investment decision, Bidders must rely on their own examination of the Bank and the terms of the Issue, including the merits and risks involved. Investors should not construe the contents of this Preliminary Placement Document as legal, tax, accounting or investment advice. Bidders should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning the Issue. In addition, neither the Bank nor the Lead Managers are making any representation to any offeree or subscriber of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or subscriber under applicable legal, investment or similar laws or regulations. Each subscriber of the Equity Shares in the Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in the Bank under Indian law, including Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013 and the rules and regulations made thereunder, and that it is not prohibited by SEBI or any other statutory authority from buying, selling or dealing in the securities including the Equity Shares. Each subscriber of the Equity Shares in the Issue also acknowledges that it has been afforded an opportunity to request from the Bank and review information relating to the Bank and the Equity Shares.

This Preliminary Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such document and disclosures included in the section entitled “Risk Factors” on page 39.

The information on the Bank’s website, www.hdfcbank.com, any website directly or indirectly linked to the website of the Bank or on the website of the Lead Managers, does not constitute nor form part of this Preliminary Placement Document. Bidders should not rely on such information contained in, or available through, any such websites.

NOTICE TO INVESTORS IN CERTAIN OTHER JURISDICTIONS

For information to investors in certain other jurisdictions, see the sections “Selling Restrictions” and “Transfer Restrictions” on pages 190 and 200, respectively.

REPRESENTATIONS BY INVESTORS

References herein to “you” or “your” is to Bidders in the Issue.

By Bidding for and subscribing to any Equity Shares in the Issue, you are deemed to have represented, warranted, acknowledged and agreed to the Bank and the Lead Managers, as follows:

- You are a QIB as defined in Regulation 2(1)(zd) of the SEBI ICDR Regulations and not excluded pursuant to Regulation 86(1)(b) of the SEBI ICDR Regulations, having a valid and existing registration under applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allocated to you in accordance with Chapter VIII of the SEBI ICDR Regulations and undertake to comply with the SEBI ICDR Regulations, the Companies Act and all other applicable laws, including any reporting obligations;

- You are a resident of India and are not registered as a foreign portfolio investor (as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014) (“**FPI**”), foreign institutional investor, a foreign venture capital investor (as defined under the SEBI (Foreign Venture Capital Investors) Regulations, 2000) (“**FVCI**”) or a multilateral or bilateral financial institution;

- You are not ‘owned’ or ‘controlled’ by Non-Residents/ persons resident outside India, as defined under FEMA, and you undertake that your investment pursuant to the Issue shall not amount to direct or indirect foreign investment in the Bank

- You will make all necessary filings with appropriate regulatory authorities, including the RBI, as required pursuant to applicable laws;

- If you are Allotted Equity Shares, you shall not, for a period of one year from the date of Allotment, sell the Equity Shares so acquired except on the floor of the Stock Exchanges (additional restrictions may apply if you are within the United States). See the section entitled “Transfer Restrictions” on page 200;

- You have made, or are deemed to have made, as applicable, the representations set forth under sections “Selling Restrictions” and “Transfer Restrictions” on pages 190 and 200, respectively;

- You are aware that the Equity Shares have not been and will not be registered as a prospectus under the Companies Act (as defined hereinafter), the SEBI ICDR Regulations or under any other law in force in India. This Preliminary Placement Document has not been reviewed or affirmed by the RBI, SEBI, the Stock Exchanges, the RoC or any other regulatory or listing authority and is intended only for use by Eligible QIBs;

- This Preliminary Placement Document has been filed, and the Placement Document will be filed with the Stock Exchanges for record purposes only, and the Preliminary Placement Document has been displayed and the Placement Document will be displayed on the websites of the Bank and the Stock Exchanges.

- You are entitled to subscribe for and acquire the Equity Shares under the laws of all relevant jurisdictions that apply to you and that you have fully observed such laws and you have necessary capacity, have obtained all necessary consents, governmental or otherwise, and authorisations and complied with all necessary formalities, to enable you to commit to participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorisations to agree to the terms set out or referred to in this Preliminary Placement Document), and will honour such obligations;

- Neither the Bank nor any of the Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates are making any recommendations to you or advising you regarding the suitability of any transactions it may enter into in connection with the Issue and your participation in the Issue is on the basis that you are not, and will not, up to the Allotment, be a client of any of the Lead Managers. Neither the Lead Managers nor any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates have any duties or responsibilities to you for providing the protection afforded to their clients or customers or for providing advice in relation to the Issue and are not in any way acting in any fiduciary capacity;

- You confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by the Bank or its agents (the "**Bank Presentations**") with regard to the Bank or the Issue; or (ii) if you have participated in or attended any Bank Presentations: (a) you understand and acknowledge that the Lead Managers may not have knowledge of the statements that the Bank or its agents may have made at such Bank Presentations and are therefore unable to determine whether the information provided to you at such Bank Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the Lead Managers have advised you not to rely in any way on any information that was provided to you at such Bank Presentations, and (b) confirm that, to the best of your knowledge, you have not been provided any material information relating to the Bank and the Issue that was not publicly available;

- Your decision to subscribe to the Equity Shares to be issued pursuant to the Issue has not been made on the basis of any information relating to the Bank which is not set forth in this Preliminary Placement Document;

- You are subscribing to the Equity Shares to be issued pursuant to the Issue in accordance with applicable laws and by participating in this Issue, you are not in violation of any applicable law, including but not limited to the SEBI Insider Trading Regulations, the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, as amended, and the Companies Act, 2013;

- All statements other than statements of historical fact included in this Preliminary Placement Document, including, without limitation, those regarding the Bank's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Bank's business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Bank's present and future business strategies and environment in which the Bank will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as at the date of this Preliminary Placement Document. The Bank assumes no responsibility to update any of the forward-looking statements contained in this Preliminary Placement Document;

- You are aware and understand that the Equity Shares are being offered only to Eligible QIBs and are not being offered to the general public, and the Allotment of the same shall be on a discretionary basis;

- You are aware that in accordance with Section 12B of the Banking Regulation Act, 1949 read with the Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, dated November 19, 2015, no person (along with his relatives, associate enterprises or persons acting in concert with) can acquire or hold 5% or more of the total paid-up share capital of the Bank, or be entitled to exercise 5% or more of the total voting rights of the Bank, without prior approval of the RBI. Accordingly, you hereby represent that your (direct or indirect) aggregate holding in the paid-up share capital of the Bank, whether beneficial or otherwise:

    (i) after subscription to the Equity Shares in the Issue by your relatives, your associate enterprises or persons acting in concert with you, aggregated with any pre-Issue shareholding in the Bank of you, your relatives, your associate enterprises or persons acting in concert; or

    (ii) after subscription to the Equity Shares in the Issue by you aggregated with any pre-Issue shareholding in the Bank of you, your relatives, your associate enterprises or persons acting in concert with you;

    shall not amount to 5% or more of the total paid-up share capital of the Bank or would not entitle you to exercise 5% or more of the total voting rights of the Bank, except with the prior approval of the RBI.

- If you become one of the ten largest shareholders of our Bank, we will be required to make a filing disclosing your name and shareholding details with the RoC within 15 days of the Allotment, under Section 93 of the Companies Act, 2013 and you consent to such disclosure made by us.

- You are aware that if you are Allotted more than 5% of the Equity Shares in the Issue, the Bank shall be required to disclose your name and the number of the Equity Shares Allotted to you to the Stock Exchanges and the Stock Exchanges will make the same available on their website and you consent to such disclosures;

- You have been provided a serially numbered copy of this Preliminary Placement Document and have read it in its entirety, including in particular, the section "Risk Factors" on page 39;

- In making your investment decision, you have (i) relied on your own examination of the Bank and the terms of the Issue, including the merits and risks involved, (ii) made your own assessment of the Bank, the Equity Shares and the terms of the Issue based solely on the information contained in this Preliminary Placement Document and no other disclosure or representation by the Bank or any other party, (iii) consulted your own independent counsel and advisors or otherwise have satisfied yourself concerning, without limitation, the effects of local laws, (iv) relied solely on the information contained in this Preliminary Placement Document and no other disclosure or representation by the Bank or any other party, (v) received all information that you believe is necessary or appropriate in order to make an investment decision in respect of the Bank and the Equity Shares, and (vi) relied upon your own investigation and resources in deciding to invest in the Issue;

- Neither the Lead Managers nor any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates have provided you with any tax advice or otherwise made any representations regarding the tax consequences of purchase, ownership and disposal of the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice from a reputable service provider and will not rely on the Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates when evaluating the tax consequences in relation to the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You waive, and agree not to assert any claim against the Bank or any of the Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;

- You are a sophisticated investor and have such knowledge and experience in financial, business and investment matters as to be capable of evaluating the merits and risks of an investment in the Equity Shares. You are experienced in investing in private placement transactions of securities of companies in a similar nature of business, similar stage of development and in similar jurisdictions. You and any accounts for which you are subscribing for the Equity Shares (i) are each able to bear the economic risk of your investment in the Equity Shares, (ii) will not look to the Bank and/or any of the Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered in connection with the Issue, including losses arising out of non-performance by the Bank of any of its respective obligations or any breach of any representations and warranties by the Bank, whether to you or otherwise, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares. You acknowledge that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. You are seeking to subscribe to the Equity Shares in the Issue for your own investment and not with a view to resell or distribute;

- If you are acquiring the Equity Shares to be issued pursuant to the Issue for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire such Equity Shares for each managed account and to make (and you hereby make) the representations, warranties, acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "you" to include such accounts;

- You are not a 'promoter' (as defined under the SEBI ICDR Regulations) of the Bank or any of its affiliates and are not a person related to the promoter, either directly or indirectly and your Bid does not directly or indirectly represent the 'promoter', or 'promoter group', (as defined under the SEBI ICDR Regulations) of the Bank;

- You agree that in terms of Section 42(7) of the Companies Act, 2013 and Rule 14 of the PAS Rules, we shall file the list of Eligible QIBs (to whom this Preliminary Placement Document will be circulated) along with other particulars with the RoC and SEBI within 30 days of circulation of this Preliminary Placement Document and other filings required under the Companies Act, 2013.

- You have no rights under a shareholders' agreement or voting agreement with the promoter or persons related to the promoter, no veto rights or right to appoint any nominee director on the Board of Directors of the Bank other than the rights acquired, if any, in the capacity of a lender not holding any Equity Shares which shall not be deemed to be a person related to the promoter;

- You will have no right to withdraw your Bid after the Bid/Issue Closing Date;

- You are eligible to bid for and hold the Equity Shares Allotted to you together with any securities of the Bank held by you prior to the Issue. Further, you confirm that your aggregate holding after the Allotment of the Equity Shares shall not exceed the level permissible as per any applicable regulation;

- The Bid made by you would not result in triggering a tender offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the "**Takeover Regulations**");

- To the best of your knowledge and belief, your aggregate holding, together with other Eligible QIBs in the Issue that belong to the same group or are under common control as you, pursuant to the Allotment under the Issue shall not exceed 50% of the Issue. For the purposes of this representation:

  (a) the expression 'belong to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and

  (b) 'Control' shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Regulations;

- You are aware that (i) applications for in-principle approval, in terms of Regulation 28(1) of the SEBI Listing Regulations, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, were made and approval has been received from each of the Stock Exchanges, and (ii) the application for the final listing and trading approval will be made only after Allotment. There can be no assurance that the final approvals for listing of the Equity Shares will be obtained in time or at all. The Bank shall not be responsible for any delay or non-receipt of such final approvals or any loss arising from such delay or non-receipt;

- You shall not undertake any trade in the Equity Shares credited to your beneficiary account until such time that the final listing and trading approvals for the Equity Shares, are issued by the Stock Exchanges.

- You are aware and understand that the Lead Managers have entered into a placement agreement with the Bank, whereby the Lead Managers have, subject to the satisfaction of certain conditions set out therein agreed to manage the Issue and use their reasonable efforts as agents of the Bank to procure subscriptions for the Equity Shares on the terms and conditions set forth therein;

- You understand that the contents of this Preliminary Placement Document are exclusively the responsibility of the Bank, and neither the Lead Managers nor any person acting on their behalf has or shall have any liability for any information, representation or statement contained in this Preliminary Placement Document or any information previously published by or on behalf of the Bank, and that the Lead Managers will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Preliminary Placement Document or otherwise. By participating in the Issue, you agree to the same and confirm that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Preliminary Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares. You have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Lead Managers or the Bank or any of their respective affiliates or any other person, and neither the Lead Managers nor the Bank nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;

- You understand that the Lead Managers and their affiliates do not have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by us or any of our respective obligations or any breach of any representations or warranties by us, whether to you or otherwise;

- You are eligible to invest in India under applicable law, including the FEMA 20, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory authority, from buying, selling or dealing in securities;

- You understand that the Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and accordingly, may not be offered or sold, subject to certain exceptions, within the United States, except in reliance on an exemption from the registration requirements of the Securities Act;

- You agree that any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of Republic of India, and the courts in Mumbai, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Preliminary Placement Document and the Placement Document;

- Each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the Allotment, listing and trading of the Equity Shares in the Issue;

- You agree to indemnify and hold the Bank and the Lead Managers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the foregoing representations, warranties, acknowledgements and undertakings made by you in this Preliminary Placement Document. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares by, or on behalf of, the managed accounts;

- You have made, or are deemed to have made, as applicable, the representations set forth in this section entitled "Representations by Investors"; and

- The Bank, the Lead Managers, their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings, which are given by you to the Lead Managers on its own behalf and on behalf of the Bank, and are irrevocable. You agree that the terms and provisions of the foregoing representations, warranties, acknowledgements and undertakings, shall inure to the benefit of and any document incorporating such acknowledgements, representations and agreements shall be enforceable by the Lead Managers and the Bank, their respective successors and permitted assigns, and the terms and provisions hereof shall be binding on our permitted successors in title, permitted assigns and permitted transferees.

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 22 of the SEBI FPI Regulations (as defined below), FPIs (other than Category III foreign portfolio investors and unregulated broad based funds, which are classified as Category II FPI by virtue of their investment manager being appropriately regulated) may issue or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying, and all such offshore derivative instruments are referred to herein as "**P-Notes**"), for which they may receive compensation from the purchasers of such instruments. You should ensure that any P-Notes issued by you have been issued in compliance with all applicable laws (including Regulation 22 of the SEBI FPI Regulations and relevant circulars issued by SEBI). Further you must also ensure that all P-Notes must be issued only in favour of those entities which are regulated by any appropriate foreign regulatory authorities subject to compliance with 'know your client' requirements. An FPI is also required to ensure that any transfer of offshore derivative instrument is made by, or on behalf of it subject to the following conditions: (a) such offshore derivative instruments are transferred to persons subject to fulfilment of SEBI FPI Regulations; and (b) prior consent of the FPI is obtained for such transfer, except when the persons to whom the offshore derivative instruments are to be transferred to are pre-approved by the FPI. P-Notes have not been and are not being offered or sold pursuant to this Preliminary Placement Document. This Preliminary Placement Document does not contain any information concerning P-Notes or the issuer(s) of any P-notes, including any information regarding any risk factors relating thereto.

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) is not permitted to be 10% or above of our post-Issue Equity Share capital. As per the circular issued by SEBI on November 24, 2014, these investment restrictions shall also apply to subscribers of offshore derivative instruments. Two or more subscribers of offshore derivative instruments having a common beneficial owner shall be considered together as a single subscriber of the offshore derivative instruments. In the event a prospective investor has investments as an FPI and as a subscriber of offshore derivative instruments, these investment restrictions shall apply on the aggregate of the FPI and offshore derivative instruments investments held in the underlying company.

The FPI is required to collect regulatory fee of US$ 1,000 or any other amount, as may be specified by SEBI from time to time, from every subscriber of P-Notes issued by it and deposit the same with SEBI by way of electronic transfer in the designated bank account of SEBI. FPI is required to deposit this regulatory fee once every three years, provided that for the block of three years beginning April 1, 2017, the FPI shall collect and deposit the regulatory fee within two months from the date of notification of the Securities and Exchange Board of India (Foreign Portfolio Investors) (Fourth Amendment) Regulations, 2017 (i.e. July 20, 2017).

Any P-Notes that may be issued are not securities of the Bank and do not constitute any obligation of, claims on or interests in the Bank. The Bank has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to the Bank. The Bank and the Lead Manager do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the Lead Managers and do not constitute any obligations of or claims on the Lead Managers.

Bidders interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Bidders are urged to consult their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of this Preliminary Placement Document has been submitted to each of the Stock Exchanges. The Stock Exchanges do not in any manner:

(1) warrant, certify or endorse the correctness or completeness of the contents of this Preliminary Placement Document;

(2) warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or

(3) take any responsibility for the financial or other soundness of the Bank, its Promoter, its management or any scheme or project of the Bank;

and it should not for any reason be deemed or construed to mean that this Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with, such subscription/acquisition, whether by reason of anything stated or omitted to be stated herein, or for any other reason whatsoever.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Preliminary Placement Document, unless otherwise specified or the context otherwise indicates or implies, references to 'you', 'your', 'offeree', 'purchaser', 'subscriber', 'recipient', 'investors', 'prospective investors' and 'potential investor' are to the prospective investors in the Issue, references to the 'Bank', 'HDFC Bank', 'Issuer', 'we', 'us' or 'our' are to HDFC Bank Limited.

In this Preliminary Placement Document, references to 'US$', 'USD' and 'U.S. dollars' are to the legal currency of the United States of America, and references to '₹ ', 'INR', 'Rs.', '₹ ' , 'Indian Rupees' and 'Rupees' are to the legal currency of India. All references herein to the 'US' or 'U.S.' or the 'United States' are to the United States of America and its territories and possessions. All references herein to "India" are to the Republic of India and its territories and possessions and all references herein to the 'Government' or 'GOI' or the 'Central Government' or the 'State Government' are to the Government of India, central or state, as applicable.

References to the singular also refers to the plural and one gender also refers to any other gender, wherever applicable, and the words "lakh" or "lac" mean "100 thousand" and the word "million" means "10 lakh" and the word "crore" means "10 million" or "100 lakh" and the word "billion" means "1,000 million" or "100 crore".

Financial and Other Information

The financial year of the Bank commences on April 1 of each calendar year and ends on March 31 of the following calendar year, and, unless otherwise specified or if the context requires otherwise, all references to a particular 'Fiscal Year' or 'fiscal' or 'FY' are to the twelve month period ended on March 31 of that year. The limited reviewed standalone interim financial results for the three month period ended June 30, 2018, included in this Preliminary Placement Document have been reviewed by S. R. Batliboi & Co., LLP, Chartered Accountants, our Auditors and prepared in accordance with Regulation 33 of the SEBI Listing Regulations, while the audited standalone and consolidated financial statements of the Bank as of and for the Fiscal Years ended March 31, 2018, 2017 and 2016 are prepared in accordance with Indian GAAP, audited by Deloitte Haskins and Sells, Chartered Accountants, our erstwhile statutory auditors and are included in this Preliminary Placement Document in the section "Financial Statements" on page 235.

The Bank publishes its financial statements in Indian Rupees. Unless the context otherwise requires, all financial data in this Preliminary Placement Document are derived from the Bank's standalone financial statements prepared in accordance with Indian GAAP. Indian GAAP differs in certain significant respects from International Financial Reporting Standards (the "**IFRS**") and U.S. GAAP. We have not attempted to quantify the impact of U.S. GAAP or IFRS on the financial data included in this Preliminary Placement Document, nor do we provide a reconciliation of our financial statements, to those of U.S. GAAP or IFRS. Each of U.S. GAAP and IFRS differs in significant respects from Indian GAAP. See the section "Risk Factors – *Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and IFRS, which investors may be more familiar with and may consider material to their assessment of our financial condition*" on page 56. Accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP, included in this Preliminary Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with the respective accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Preliminary Placement Document should accordingly be limited.

In addition, MCA, in its press release dated January 18, 2016, issued a roadmap for implementation of Ind-AS converged with IFRS for non-banking financial companies, scheduled commercial banks, insurers, and insurance companies, which was subsequently confirmed by the RBI through its circular dated February 11, 2016. This circular requires the Bank to prepare Ind-AS based financial statements for the accounting period commencing April 1, 2018 with comparative financial statements for the accounting period on ending March 31, 2018. The implementation of Ind-AS by banks requires certain legislative changes in the format of financial statements to comply with disclosures required by Ind-AS. Recently, in April 2018, the RBI deferred the effective date for implementation of Ind-AS by one year, by which point the necessary legislative amendments are expected to have been completed. Scheduled commercial banks in India will now be required to prepare Ind-AS based financial statements for the accounting periods beginning from April 1, 2019 onwards with comparatives for the accounting periods ending March 31, 2019. The nature and extent of the possible impact of Ind-AS on our financial reporting and accounting practices is currently uncertain, and there can be no assurance that such impact will not be significant. Bidders are advised to avail independent financial and accounting advice to analyze the impact of the application of Ind-AS to the preparation and presentation of our financial statements. The Bank cannot assure you that it has completed a comprehensive analysis of the effect of Ind-AS on future financial information or that the application of Ind-AS will not result in a materially adverse effect on our Company's future financial information. For further information on the transition to Ind-AS, see "Risk Factors – *Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and IFRS, which investors may be more familiar with and may consider material to their assessment of our financial condition*"on page 56.

In this Preliminary Placement Document, certain monetary thresholds have been subjected to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

INDUSTRY AND MARKET DATA

Information included in this Preliminary Placement Document regarding market position, growth rates and other industry data pertaining to our businesses consists of estimates based on data reports compiled by government bodies, professional organisations and analysts, data from other external sources and knowledge of the markets in which we operate. Unless stated otherwise statistical information included in this Preliminary Placement Document pertaining to the various sectors in which we operate has been reproduced from trade, industry and government publications and websites. We confirm that such information and data has been accurately reproduced, and that as far as we are aware and are able to ascertain from information published by third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading.

This information is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organisations) to validate market-related analysis and estimates, so we have relied on internally developed estimates.

Neither we nor the Lead Managers have independently verified this data, nor do we or the Lead Managers make any representation regarding the accuracy of such data. Similarly, while the Bank believes that its internal estimates to be reasonable, such estimates have not been verified by any independent sources, and neither we nor the Lead Managers can assure potential investors as to their accuracy.

The extent to which the market and industry data used in this Preliminary Placement Document is meaningful is dependent on the reader's familiarity with and understanding of the methodologies used in compiling such data.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Preliminary Placement Document that are not statements of historical fact constitute 'forward-looking statements'. Investors can generally identify forward-looking statements by terminology such as 'aim', 'anticipate', 'believe', 'continue', 'can', 'could', 'estimate', 'expect', 'intend', 'may', 'objective', 'plan', 'potential', 'project', 'pursue', 'shall', 'should', 'will', 'would', or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals of the Bank are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements.

All statements regarding our expected financial conditions, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Bank's business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Preliminary Placement Document that are not historical facts. These forward-looking statements contained in this Preliminary Placement Document (whether made by the Bank or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Bank to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about the Bank that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause the actual results, performances and achievements of the Bank to be materially different from any of the forward-looking statements include, among others:

- slowdown in economic growth in India;
- our inability to manage growth;
- increase in the level of non-performing assets in our portfolio;
- our inability to foreclose on collateral in a timely fashion or at all when borrowers default; and
- material changes in Indian banking regulations.

Additional factors that could cause actual results, performance or achievements of the Bank to differ materially include, but are not limited to, those discussed under the sections "Risk Factors", "Industry Overview", "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 39, 117, 129 and 75, respectively.

By their nature, market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, any future gains, losses or impact on net income and net income could materially differ from those that have been estimated, expressed or implied by such forward-looking statements or other projections. The forward-looking statements contained in this Preliminary Placement Document are based on the beliefs of the management, as well as the assumptions made by, and information currently available to, the management of the Bank. Although the Bank believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Preliminary Placement Document or the respective dates indicated in this Preliminary Placement Document, and neither the Bank nor the Lead Managers undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. If any of these risks and uncertainties materialise, or if any of the Bank's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of the Bank could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to the Bank are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

We are a limited liability company incorporated under the laws of India. Most of the Directors and Key Managerial Personnel of the Bank named herein are residents and all or a substantial portion of the assets of the Bank and of such persons are located in India. As a result, it may be difficult or may not be possible for investors outside India to effect service of process upon the Bank or such persons in India, or to enforce judgments obtained against such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Civil Procedure Code (as defined below), on a statutory basis. Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon between the same parties or parties litigating under the same title, except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; and (vi) where the judgment sustains a claim founded on a breach of any law then in force in India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. However, Section 44A of the Civil Procedure Code provides that a foreign judgment rendered by a superior court (within the meaning of that section) in any jurisdiction outside India which the Government has by notification declared to be a reciprocating territory, may be enforced in India by proceedings in execution as if the judgment had been rendered by a competent court in India. Under Section 14 of the Civil Procedure Code, a court in India will, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the foreign judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record but such presumption may be displaced by proving want of jurisdiction However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalties and does not include arbitration awards.

Each of the United Kingdom, Singapore and Hong Kong, among others, have been declared by the Government to be a reciprocating territory for the purposes of Section 44A of the Civil Procedure Code, but the United States of America has not been so declared. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy. Further, any judgment or award in a foreign currency may be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered, and any such amount may be subject to income tax in accordance with applicable laws.

EXCHANGE RATES

Fluctuations in the exchange rate between the Rupee and foreign currencies will affect the foreign currency equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into foreign currencies of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth information with respect to the exchange rates between the Rupee and the U.S. dollar (in ₹ per US$), for or as of the end of the periods indicated. The exchange rates are based on the reference rates released by the RBI, which are available on the website of the RBI. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all.

On July 27, 2018, the exchange rate (the RBI reference rate) was ₹ 68.70 to USD 1. (*Source: www.rbi.org.in*)

(₹ Per US$)

	Period end	**Average(1)**	**High(2)**	**Low(3)**
Fiscal Year:				
2016	66.33	65.46	68.78	62.16
2017	64.84	67.09	68.72	64.84
2018	65.04	64.45	65.76	63.35
Quarter ended:				
December 31, 2017	63.93	64.74	65.55	63.93
March 31, 2018	65.04	64.31	65.23	63.35
June 30, 2018	68.58	67.04	68.94	64.93
Month ended:				
January 31, 2018	63.69	63.64	63.98	63.35
February 28, 2018	65.10	64.37	65.10	63.61
March 31, 2018	65.04	65.02	65.23	64.80
April 30, 2018	66.78	65.64	66.83	64.93
May 31, 2018	67.45	67.54	68.39	66.61
June 30, 2018	68.58	67.79	68.94	67.02

Note:

(1) Average of the official rate for each working day of the relevant period.
(2) Maximum of the official rate for each working day of the relevant period.
(3) Minimum of the official rate for each working day of the relevant period.

(Source: www.rbi.org.in)

Notes:

(1) In the event that the RBI reference rate is not available on a particular date due to a public holiday, exchange rates of the previous working day has been disclosed; and

(2) The high, low and average are based on the RBI reference rates and rounded off to two decimal places.

DEFINITIONS AND ABBREVIATIONS

This Preliminary Placement Document uses the definitions and abbreviations set forth below which you should consider when reading the information contained herein.

Bank Related Terms

Term	Description
"Bank", "Issuer", "HDFC Bank", "we", "us", "our"	HDFC Bank Limited, a public limited company incorporated under the Companies Act, 1956 and having its registered office at HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India
Articles or Articles of Association	Articles of association of the Bank, as amended from time to time
Auditors	S. R. Batliboi & Co., LLP, Chartered Accountants, statutory auditors of the Bank
Board of Directors or Board	The board of directors of the Bank or any duly constituted committee thereof
Directors	The directors of the Bank
Equity Shares	Equity shares of the Bank having a face value of ₹ 2 each
Executive Directors	The executive directors of the Bank
Independent Director	The independent directors of the Bank
Memorandum or Memorandum of Association	Memorandum of association of the Bank, as amended from time to time
Non-Executive Directors	The non-executive directors of the Bank
Registered Office and Corporate Office	The registered office of the Bank is located at HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India
HDBFSL	HDB Financial Services Limited
HDFC Limited	Housing Development Finance Corporation Limited
HSL	HDFC Securities Limited
Promoter	HDFC Limited
Subsidiaries	HDBFSL and HSL

Issue Related Terms

Term	Description
ADR Offering	The simultaneous offer by the Bank of Equity Shares in the form of American Depository Receipts ("ADRs") each ADR representing three Equity Shares pursuant to the approval granted by (i) the Board by its resolution dated December 20, 2017; and (ii) the shareholders of the Bank pursuant to their resolution dated January 19, 2018.
Allocated/ Allocation	The allocation of Equity Shares following the determination of the Issue Price to Eligible QIBs on the basis of the Application Form submitted by them, by the Bank in consultation with the Lead Managers and in compliance with Chapter VIII of the SEBI ICDR Regulations
Allot/ Allotment/ Allotted	Unless the context otherwise requires, the issue and allotment of Equity Shares to be issued pursuant to the Issue
Allottees	Eligible QIBs to whom Equity Shares are issued and Allotted pursuant to the Issue
Application Form	The form (including any revisions thereof) pursuant to which a Eligible QIB shall submit a Bid for the Equity Shares in the Issue
Bid(s)	Indication of interest of a Eligible QIB, including all revisions and modifications thereto, as provided in the Application Form, to subscribe for the Equity Shares
Bid/Issue Closing Date	[●], which is the last date up to which the Application Forms shall be accepted
Bid/Issue Opening Date	July 30, 2018
Bid/Issue Period	Period between the Bid/Issue Opening Date and the Bid/Issue Closing Date, inclusive of both days, during which prospective Bidders can submit their Bids
Bidder	Any prospective investor, an Eligible QIB, who makes a Bid pursuant to the terms of this Preliminary Placement Document and the Application Form

Term	Description
CAN or Confirmation of Allocation Note	Note or advice to Eligible QIBs confirming Allocation of Equity Shares to such Eligible QIBs after determination of the Issue Price and requesting payment for the entire applicable Issue Price for all Equity Shares Allocated to such Eligible QIBs
Closing Date	The date on which Allotment of Equity Shares pursuant to the Issue shall be made, i.e. on or about [●]
Cut-off Price	The Issue Price of the Equity Shares to be issued pursuant to the Issue which shall be finalised by the Bank in consultation with the Lead Managers
Designated Date	The date of credit of Equity Shares to the Eligible QIB's demat account, as applicable to the respective Eligible QIBs
Eligible QIB	QIBs, as defined in regulation 2(1)(zd) of the SEBI ICDR Regulations which are not excluded pursuant to regulation 86 of the SEBI ICDR Regulations and other applicable law and are residents of India
Escrow Agent	HDFC Bank Limited
Escrow Account	The account entitled "HDFC BANK LTD ESCROW A/C QIP 2018" with regard to any money received towards the subscription of the Equity Shares, opened with the Escrow Agent, subject to the terms of the Escrow Agreement
Escrow Agreement	Agreement dated July 30, 2018, entered into amongst the Bank, the Escrow Agent and the Lead Managers for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders
Floor Price	The floor price of ₹ 2,179.13 which has been calculated in accordance with Chapter VIII of the SEBI ICDR Regulations. In terms of the SEBI ICDR Regulations, the Issue Price cannot be lower than the Floor Price. The Bank may offer a discount of not more than 5.00% on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations
Issue	The offer, issue and Allotment of [●] Equity Shares to Eligible QIBs pursuant to Chapter VIII of the SEBI ICDR Regulations and the provisions of the Companies Act, 2013
Issue Price	₹ [●] per Equity Share
Issue Size	The issue of [●] Equity Shares aggregating approximately ₹ [●] million
Lead Managers	Book running lead managers to the Issue, namely, DSP Merrill Lynch Limited, Credit Suisse Securities (India) Private Limited, J.P. Morgan India Private Limited, Morgan Stanley India Company Private Limited, Edelweiss Financial Services Limited, IIFL Holdings Limited, JM Financial Limited and Motilal Oswal Investment Advisors Limited.
Listing Agreement(s)	The agreement(s) entered into between the Bank and the Stock Exchanges in relation to listing of the Equity Shares to be issued pursuant to the Issue on the Stock Exchanges
Mutual Fund	A mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended
Mutual Fund Portion	10.00% of the Equity Shares proposed to be Allotted in the Issue, which is available for Allocation to Mutual Funds
Pay-in Date	The last date specified in the CAN for payment of application monies by the Eligible QIBs
Placement Agreement	Agreement dated July 30, 2018 entered into amongst the Bank and the Lead Managers
Placement Document	The placement document to be issued by the Bank in accordance with Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013
Preferential Allotment	A preferential allotment of 39,096,817 Equity Shares at a price of ₹ 2,174.09 per Equity Share, on July 17, 2018, aggregating to ₹ 84,999,998,871.53, to HDFC Limited
Preliminary Placement Document	This preliminary placement document dated July 30, 2018 issued in accordance with Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013
QIB or Qualified Institutional Buyers	Qualified Institutional Buyers, as defined in regulation 2(1)(zd) of the SEBI ICDR Regulations.
QIP	Qualified institutions placement under Chapter VIII of the SEBI ICDR

Term	Description
	Regulations
Relevant Date	July 30, 2018, which is the date of the meeting of the Board, or any committee duly authorised by the Board, deciding to open the Issue

Industry Related Terms

Term	Description
Additional Tier I capital	Comprises Innovative perpetual debt instruments and perpetual non-cumulative preference shares eligible for inclusion in Tier I Capital as prescribed in extant RBI guidelines.
AFS	"Available for sale"; the category of all securities other than those held for trading and held to maturity
ALCO	Asset Liability Committee
ALM	Asset and liability management
AML	Anti-money laundering
ANBC	Adjusted net bank credit
ATMs	Automated teller machines
Banking Nationalisation Act	The Banking Nationalisation Act, 1969, as amended
Basel Committee	Basel Committee on Banking Supervision
Basel II	Revised framework on "International Convergence of Capital Measurement and Capital Standards" by RBI for International Settlements
Basel III	A global regulatory framework for more resilient banks and banking systems (December 2010 (rev. June 2011)) published by the Bank for International Settlements. RBI issued guidelines on the implementation of Basel III capital regulations in India on May 2, 2012 and revised pursuant to Master Circular – Basel III Capital Regulations issued by RBI, dated July 1, 2015
BB	Branch banking advances such as SME clients, small business and retail advances
BCAs	Banking correspondent agents
BCBS	Basel Committee on Banking Supervision
BHC	Bank Holding Company
BPLR	The benchmark prime lending rate, based on cost of funds, cost of business operations, provisions and yield curve expectations
Branch Business Banking	Business banking
Branch Retail Banking	Retail banking
BSMG	Balance Sheet Management Group
C&IB	Large corporate advances
CAD	Current account deficit
CAGR	Compounded annual growth rate (calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered)
CAP	Corrective Action Plan
CAR	Capital adequacy ratio
CASA	Demand deposits and savings bank deposit
CB	Mid-corporate advances such as commercial banking clients
CBLO	Collateralised borrowing and lending obligation
CCB	Capital conservation buffer
CDP	Carbon disclosure project
CET I	Common Equity Tier I
CET I capital	Common equity is recognised as the highest quality component of capital and is the primary form of funding which ensures that a bank remains solvent. It comprises paid-up equity capital, share premium, statutory reserves, capital reserves (representing surplus arising out of sale proceeds of assets), other disclosed free reserves, if any and eligible balance in profit and loss account as reduced by regulatory adjustments/ deductions applied in the calculation of the common equity tier I capital as prescribed in extant RBI guidelines.
CRAR	Capital to risk-weighted asset ratio
CRR	Cash reserve ratio

Term	Description
Current accounts	Demand deposits
Documentary credit	Acceptance, endorsements and other obligations
FASAR	Food and Agribusiness Strategic Advisory and Research team
FHC	Financial Holding Company
FSLRC	Financial Sector Legislative Reforms Commission
General provision	Contingent provisions against standard assets
GRM	Government Relationship Management
HFT	"Held for Trading"; the category of securities that are held principally for resale within a short period
HTM	"Held to Maturity"; the category of investments not exceeding a prescribed percentage of a bank's total investments which it intends to hold until maturity
IBD	International Banking
ICAAP	Internal Capital Adequacy Assessment Process
IFI	Indian Financials Institution
IMPS	Interbank mobile payment service
Interest expense	Interest expended
Interest income	Interest earned
IT	Information technology
JLF	Joint Lenders' Forum
KYC	Know your customer
LAF	Liquidity adjustment facility
LAP	Loans against property
LAS	Loans against shares
LC	Letter of credit
LCR	Liquidity coverage ratio
LER	Loan equivalent risk
LIBOR	London interbank offered rate
MIS	Management information system
MSF	Marginal standing facility
MSMEs	Micro, small and medium-sized enterprises
NABARD	National Bank for Agricultural and Rural Development
NBFC	Non-banking financial company registered with the RBI
NBFC – MFI	Non-Banking Financial Company – Micro Finance Institution
NDTL	Net demand and time liabilities
Net interest income	Interest income/earned less interest expense/expended
NOCs	National operating centres
NOFHC	Non-Operative Financial Holding Company
Non-SLR investments	Investments that do not qualify towards the statutory liquidity ratio requirements of RBI
NPA	Non-performing asset
NRE	Non-Resident (External)
NRO	Non-Resident Ordinary
NSFR	Net stable funding ratio
PCR	Provision coverage ratio i.e. specific provision for NPA divided by gross NPA (as per RBI Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015)
PM	Process management
PSL	Priority sector loan
RBI Basel III Capital Regulations	Master Circular – Basel III Capital Regulations issued by RBI dated July 1, 2015
Repo Rate	Re-purchase option rate; the annual rate at which RBI lends to other banks in India
Reverse Repo Rate	The rate at which RBI borrows money from banks in India
RIDF	Rural Infrastructure Development Fund
ROA	Return on average assets

Term	Description
ROE	Return on average networth
SARFAESI Act	The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended
Savings accounts	Savings bank deposits
Shareholders fund	Capital and Reserves and surplus
SIP	Systematic investment plan of mutual funds
SLI	Sustainable Livelihood Initiative
SLR	Statutory liquidity ratio (as per requirements of the RBI)
SME	Small and medium enterprises
Tier I capital	Tier I capital is the going-concern capital. From regulatory capital perspective, going-concern capital is the capital which can absorb loses without triggering bankruptcy of a bank. Tier I capital is comprised of the CET I capital and the Additional Tier I capital.
Tier II capital	Tier II capital is the gone-concern capital. From regulatory capital perspective, gone-concern capital is the capital which will absorb losses only in a situation of liquidation of a bank. Tier II capital is comprised of eligible debt capital instruments as specified under regulatory requirements, general provisions and loss reserves as prescribed by the RBI (upto a maximum of 1.25% of total credit risk-weighted assets), revaluation reserves at a discount of 55.00%, as reduced by regulatory adjustments/ deductions applied in the calculation of the Tier II capital as prescribed in extant RBI guidelines.
VaR	Value-at-risk
YTM	Yield to maturity

Conventional and General Terms/Abbreviations

Term	Description
AGM	Annual general meeting
AIF(s)	Alternative investment funds, as defined and registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, as amended
AMC	Asset management company
AOP	Association of persons
AS	Accounting Standards issued by ICAI
ASBA	Application supported by blocked amount
AY	Assessment year
Banking Ombudsman Scheme	The Banking Ombudsman Scheme, 2006
Banking Regulation Act	The Banking Regulation Act, 1949
BSE	BSE Limited
BVQI	Bureau Veritas Quality International
Calendar Year	Year ending on December 31
Category III Foreign Portfolio Investor	An FPI registered as a category III foreign portfolio investor under the SEBI FPI Regulations
CBI	Central Bureau of Investigation
CCI	Competition Commission of India
CDR	Corporate debt restructuring
CDR System	A joint forum of banks and financial institutions in India established in 2001 as an institutional mechanism for corporate debt restructuring
CDSL	Central Depository Services (India) Limited
CEO	Chief executive officer
CFO	Chief financial officer
CII	Confederation of Indian Industry
CIN	Corporate identity number
Civil Procedure Code	The Code of Civil Procedure, 1908, as amended
Companies Act	The Companies Act, 1956 or the Companies Act, 2013, as applicable
Companies Act, 1956	The Companies Act, 1956 and the rules made thereunder (without reference to the provisions thereof that have ceased to have effect upon notification of the Notified Sections)

Term	Description
Companies Act, 2013	The Companies Act, 2013 and the rules made thereunder, to the extent in force pursuant to notification of the Notified Sections
Competition Act	The Competition Act, 2002, as amended
CPIs	Consumer price indices
CRISIL	Credit Rating Information Services of India Limited
Depositories Act	The Depositories Act, 1996, as amended
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participant) Regulations, 1996, as amended
Depository Participant	A depository participant as defined under the Depositories Act
DICGC	Deposit Insurance Guarantee Corporation of India
EaR	Earnings at risk
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECB	External commercial borrowing
ECS	Electronic clearing service
EGM	Extraordinary general meeting
EPS	Earnings per share
ETL	Expected tail loss
FCCB	Foreign currency convertible bonds
FCNR(B)	Foreign currency non-resident (bank)
FDI	Foreign direct investment
FDI Policy	Consolidated Foreign Direct Investment Policy notified under Circular No. D/o IPP F. No. 5(1)/2017-FC-1, effective from August 28, 2017, as amended from time to time
FEDAI	Foreign Exchange Dealers' Association of India
FEMA	The Foreign Exchange Management Act, 1999, as amended, and the regulations issued thereunder
FEMA 20	The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017, as amended
FICCI	Federation of Indian Chambers of Commerce and Industry
FIIs	Foreign institutional investors as defined under the SEBI FPI Regulations
FIMMDA	Fixed Income Money Market and Derivatives Association of India
Financial Year or Fiscal Year or FY	Period of 12 months ended March 31 of that particular year, unless otherwise stated
FIPB	The erstwhile Foreign Investment Promotion Board of the Ministry of Finance, Government of India
Fitch	Fitch Ratings
FIU-IND	Financial Intelligence Unit based in New Delhi
Form PAS-4	Form PAS-4 as prescribed under the PAS Rules
FPI	Foreign portfolio investors as defined under the SEBI FPI Regulations and includes person who has been registered under the SEBI FPI Regulations. Any foreign institutional investor or qualified foreign investor who holds a valid certificate of registration is deemed to be a foreign portfolio investor till the expiry of the block of three years for which fees have been paid as per the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995
FRA/IRS	Forward rate agreements/interest rate swaps
FVCI	Foreign venture capital investors as defined and registered with SEBI under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended
GAAP	Generally accepted accounting principles
GAAR	General Anti-Avoidance Rules
GDP	Gross domestic product
GIR	General index registrar
GoI/Government	Government of India, unless otherwise specified
GST	Goods and services tax; a proposed reform to Indian tax laws relating to indirect taxes on goods and services
HFCs	Housing finance companies

Term	Description
HLAC	High Level Advisory Committee of the RBI
HNIs	High net worth individuals
HR	Human resources
HUF	Hindu undivided family
IBC	Insolvency and Bankruptcy Code, 2016
ICAI	The Institute of Chartered Accountants of India
ICRA	ICRA Limited
ICSI	The Institute of Company Secretaries of India
IFRS	International Financial Reporting Standards of the International Accounting Standards Board
IIM	Indian Institute of Management
IIT	Indian Institute of Technology
IMF	International Monetary Fund
Ind-AS	Indian accounting standards as notified by the MCA vide Companies (Indian Accounting Standards) Rule 2015 in its G.S.R dated February 16, 2015
Indian GAAP	Generally accepted accounting principles in India as applicable to banks
IPO	Initial public offering
ISO	International Standards Organisation
IT	Information technology
IT Act	The Income-tax Act, 1961, as amended
ITES	Information Technology Enabled Services
MAT	Minimum alternate tax
MCA	The Ministry of Corporate Affairs, Government of India
MNC	Multinational corporation
MoU	Memorandum of understanding
MSEs	Micro and small enterprises
NEAT	National Exchange for Automated Trading
NEFT	National electronic fund transfer
NGOs	Non-government organisations
Notified Sections	Sections of the Companies Act, 2013 that have been notified by the Government of India
NRE	Non-resident (external)
NRI	Non-resident Indian
NRO	Non-resident Ordinary
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OFAC	Office of Foreign Assets Control of the U.S. Treasury Department
PAN	Permanent account number
PAS Rules	Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended
PDAI	Primary Dealers Association of India
PFRDA	Pension Fund Regulatory and Development Authority
PMLA	The Prevention of Money Laundering Act, 2002, as amended
Prudential Norms	Prudential norms on income recognition, asset classification and provisioning pertaining to advances issued by the RBI on July 1, 2015
PTC	Pass through certificate
RBI	Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934, as amended
Regulation S	Regulation S under the Securities Act
Revised Guidelines	Revised Guidelines - Opening of new place of business and transfer of existing places of business dated May 18, 2017
RoC	Registrar of Companies
₹ / Rs./Rupees/INR/₹	Indian Rupees
RWA	Risk weighted assets
S&P	Standard & Poor’s Rating Services
SBI	State Bank of India
SCBs	Scheduled commercial banks

Term	Description
SCR (SECC) Rules	Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012, notified by the SEBI, as amended
SCRA	Securities Contracts (Regulation) Act, 1956, as amended
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended
SEBI	Securities and Exchange Board of India
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended
SEBI FII Regulations	The Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended
SEBI FPI Regulations	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as amended
SEBI Insider Trading Regulations	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended
SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended
SEBI Listing Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended
SEC	United States Securities and Exchange Commission
Securities Act	The U.S. Securities Act of 1933, as amended
SENSEX	Index of 30 stocks traded on BSE representing a sample of large and liquid listed companies
SEZ	Special economic zone
SICA	The erstwhile Sick Industrial Companies (Special Provisions) Act, 1985, as amended
Stock Exchanges	BSE and NSE
STT	Securities transaction tax
Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations 2011, as amended
U.K.	United Kingdom
US$ / U.S. dollar	United States Dollar, the legal currency of the United States of America
U.S. GAAP	Generally accepted accounting principles in the United States of America
USA/U.S./United States	The United States of America
VCF	Venture capital fund
WOS	Wholly owned subsidiaries
WPI	Wholesale Price Index
WTO	World Trade Organisation

DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE COMPANIES ACT, 2013

The table below sets out the disclosure requirements as provided in Form PAS-4 and the relevant pages in this Preliminary Placement Document where these disclosures, to the extent applicable, have been provided.

Sr. No.	Disclosure Requirements	Relevant Page of this Preliminary Placement Document
1.	**GENERAL INFORMATION**	
a.	Name, address, website and other contact details of the company indicating both registered office and corporate office.	234
b.	Date of incorporation of the company.	Cover page and 234
c.	Business carried on by the company and its subsidiaries with the details of branches or units, if any.	129
d.	Brief particulars of the management of the company.	159
e.	Names, addresses, DIN and occupations of the directors.	159
f.	Management's perception of risk factors.	39
g.	Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of:	
(i)	Statutory dues;	Not applicable
(ii)	Debentures and interest thereon;	Not applicable
(iii)	Deposits and interest thereon; and	Not applicable
(iv)	Loan from any bank or financial institution and interest thereon.	Not applicable
h.	Names, designation, address and phone number, email ID of the nodal/ compliance officer of the company, if any, for the private placement offer process.	238
2.	**PARTICULARS OF THE OFFER**	
a.	Date of passing of board resolution.	33
b.	Date of passing of resolution in the general meeting, authorising the offer of securities.	33
c.	Kinds of securities offered (i.e. whether share or debenture) and class of security.	33
d.	Price at which the security is being offered including the premium, if any, along with justification of the price.	33
e.	Name and address of the valuer who performed valuation of the security offered.	Not applicable
f.	Amount which the company intends to raise by way of securities.	33
g.	Terms of raising of securities:	
(i)	Duration, if applicable;	Not applicable

Sr. No.	Disclosure Requirements	Relevant Page of this Preliminary Placement Document
(ii)	Rate of dividend;	Not applicable
(iii)	Rate of interest;	Not applicable
(iv)	Mode of payment; and	Not applicable
(v)	Mode of Repayment.	Not applicable
h.	Proposed time schedule for which the offer letter is valid.	33
i.	Purposes and objects of the offer.	68
j.	Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects.	68
k.	Principle terms of assets charged as security, if applicable.	Not applicable
3.	**DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC**	
a.	Any financial or other material interest of the directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interests of other persons.	163
b.	Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the offeree company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed.	224
c.	Remuneration of directors (during the current year and last three financial years).	164
d.	Related party transactions entered during the last three financial years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided.	172
e.	Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of the company and the corrective steps taken and proposed to be taken by the company for each of the said reservations or qualifications or adverse remark.	Not Applicable
f.	Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for the company and all of its subsidiaries.	224
g.	Details of acts of material frauds committed against the company in the last three years, if any, and if so, the action taken by the company.	227
4.	**FINANCIAL POSITION OF THE COMPANY**	

Sr. No.	Disclosure Requirements	Relevant Page of this Preliminary Placement Document
a.	The capital structure of the company in the following manner in a tabular form:	
(i)(a)	The authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value);	71
(b)	Size of the present offer; and	71
(c)	Paid up capital:	71
(A)	After the offer; and	71
(B)	After conversion of convertible instruments (if applicable);	71
(d)	Share premium account (before and after the offer).	71
(ii)	The details of the existing share capital of the issuer company in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted, the price and the form of consideration.	71
	Provided that the issuer company shall also disclose the number and price at which each of the allotments were made in the last one year preceding the date of the offer letter separately indicating the allotments made for considerations other than cash and the details of the consideration in each case.	Not applicable
b.	Profits of the company, before and after making provision for tax, for the three financial years immediately preceding the date of circulation of offer letter.	235
c.	Dividends declared by the company in respect of the said three financial years; interest coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid).	74
d.	A summary of the financial position of the company as in the three audited balance sheets immediately preceding the date of circulation of offer letter.	37
e.	Audited Cash Flow Statement for the three years immediately preceding the date of circulation of offer letter.	37
f.	Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company.	77
5.	**A DECLARATION BY THE DIRECTORS THAT**	237
a.	The company has complied with the provisions of the Act and the rules made thereunder.	
b.	The compliance with the Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government.	
c.	The monies received under the offer shall be used only for the purposes and objects indicated in the Offer letter.	
	I am authorised by the Board of Directors of the company vide resolution number ____________ dated ____________ to sign this form	

Sr. No.	Disclosure Requirements	Relevant Page of this Preliminary Placement Document
	and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and Articles of Association It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form. *Signed:* *Date:* *Place:* *Attachments:-* *Copy of board resolution* *Copy of shareholders resolution* *Copy of _____* *Optional attachments, if any*	

SUMMARY OF BUSINESS

Overview

We are a new generation private sector bank in India and the largest private sector bank in India by total assets as of March 31, 2018. Our goal is to be the preferred provider of financial services to our customers in India across metro, urban, semi-urban and rural markets. Our strategy is to provide a comprehensive range of financial products and services to our customers through multiple distribution channels, with what we believe are high quality services, advanced technology platforms and superior execution.

We have three principal business activities: retail banking, wholesale banking and treasury operations. Our retail banking products include deposit products, loans, credit cards, debit cards, third-party mutual funds and insurance products, investment advice, bill payment services, loans to small and medium enterprises and other services. On the wholesale banking front, we offer customers a range of financing products, such as documentary credits and bank guarantees, foreign exchange and derivative products, investment banking services and corporate deposit products. We offer a range of deposit and transaction banking services, such as cash management, custodial and clearing bank services and correspondent banking. Our treasury operations manage our balance sheet, and include customer driven services such as advisory services related to foreign exchange and derivative transactions for corporate and institutional customers, supplemented by proprietary trading, including Indian Government securities. Further, our non-banking finance company ("**NBFC**") subsidiary HDB Financial Services Limited ("**HDBFSL**"), offers loan and asset finance products including tractor loans, consumer loans and gold loans, as well as a range of business process outsourcing solutions. We provide our customers brokerage accounts through our subsidiary HDFC Securities Limited ("**HSL**").

We are constantly working to develop new technology and improve the digital aspects of our business. For example, we have recently invested in a digital banking platform, Backbase, to give a single unified omni-channel experience to our customers for mobility banking, online banking, the public website and payments. We have implemented mobile data based networking options in semi-urban and rural areas where telecom infrastructure and data connectivity are weak, and other recent technological developments include mobile banking applications, person-to-person smartphone payment solutions, secure payment systems and a virtual relationship manager for high net worth customers.

We have grown rapidly since commencing operations in January 1995. As of March 31, 2018, we had 4,787 branches, 12,635 ATMs in 2,691 cities and towns and 43.6 million customers. On account of the expansion in our geographical reach and the resultant increase in market penetration, our assets have grown from ₹ 5,957.0 billion as of March 31, 2015 to ₹ 10,639.3 billion as of March 31, 2018, the largest of any private sector bank in India at such date. Our net income has increased from ₹ 102.2 billion for Fiscal Year 2015 to ₹ 174.9 billion for Fiscal Year 2018. Our advances and deposits as of March 31, 2018 stood at ₹ 6,583.3 billion and ₹ 7,887.7 billion respectively. Across business cycles, we believe we have maintained a strong balance sheet and a low cost of funds. As of March 31, 2018, gross non-performing advances as a percentage of gross advances was 1.30%, while net non-performing advances constituted 0.40% of net advances. In addition, our net advances represented 83.5% of our deposits and our deposits represented 74.1% of our total liabilities and shareholders' equity. The non-interest bearing current accounts and low-interest bearing savings accounts represented 43.5% of total deposits as of March 31, 2018. These low-cost deposits and the cash float associated with our transactional services led to an average cost of funds (including equity) of 4.3% for Fiscal Year 2018. We had a return on equity (net profit as a percentage of average total shareholders' equity) of 18.2% for Fiscal Year 2018 and 18.0% for the Fiscal Year 2017, and at March 31, 2018 had a total capital adequacy ratio (calculated pursuant to RBI guidelines) of 14.82%. Our CET-I ratio was 12.25% as at March 31, 2018.

About Our Bank

HDFC Bank was incorporated in August 1994 and commenced operations as a scheduled commercial bank in January 1995. In 2000, Times Bank Limited amalgamated with us and, in 2008, we acquired Centurion Bank of Punjab Limited ("**CBoP**"). We are part of the HDFC group of companies established by our principal shareholder, Housing Development Finance Corporation Limited ("**HDFC Limited**"), a listed public limited company established under the laws of India. HDFC Limited is primarily engaged in financial services, including mortgages, property-related lending and deposit services. The subsidiaries and associated companies of HDFC Limited are also largely engaged in a range of financial services, including asset management, life insurance and general insurance. HDFC Limited and its subsidiaries owned 20.93% of our outstanding equity shares as of March 31, 2018 and our Chairperson and Managing Director are nominated by HDFC Limited and appointed with the approval of our shareholders and the RBI. See also the section "*Principal Shareholders*". We have no agreements with HDFC Limited or any of its group companies that restrict us from competing with them or that restrict HDFC Limited or any of its group companies from competing with our business. We currently distribute products of HDFC Limited and its group companies, such as home loans of HDFC Limited, life and general insurance products of HDFC Standard Life Insurance Company Limited and HDFC ERGO General Insurance Company Limited, respectively, and mutual funds of HDFC Asset Management Company Limited. We also have American Depositary Receipts ("**ADRs**") representing a certain number of our equity shares that are traded on the New York Stock Exchange ("**NYSE**").

We have two Subsidiaries, as per local laws: HDBFSL and HSL. HDBFSL is a non-deposit taking NBFC engaged primarily in the business of retail asset financing. HDBFSL's total assets and shareholders' equity as of March 31, 2018 were ₹ 447.5 billion and ₹ 62.0 billion, respectively. HDBFSL's net profit was ₹ 9.5 billion for Fiscal Year 2018. As of March 31, 2018, HDBFSL had 1,165 branches across 831 cities in India. HSL is primarily in the business of providing brokerage and other investment services through the internet and other channels. HSL's total assets and shareholders' equity as of March 31, 2018 were ₹ 16.4 billion and ₹ 10.0 billion, respectively. HSL's net profit was ₹ 3.4 billion for Fiscal Year 2018. On December 1, 2016, Atlas Documentary Facilitators Company Private Ltd. ("**ADFC**"), which provided back office transaction processing services to us, and its subsidiary HBL Global Private Ltd. ("**HBL**"), which provided direct sales support for certain products of the Bank, amalgamated with HDBFSL.

Our principal corporate and registered office is located at HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India. Our telephone number is 91-22-6652-1000.

Our Competitive Strengths

We attribute our growth and continuing success to the following competitive strengths:

We have a strong brand and extensive reach through a large distribution network

At HDFC Bank, we are focused on understanding our customers' financial needs and providing them with relevant banking solutions. We are driven by our core values - customer focus, operational excellence, product leadership, sustainability and people. This has helped us grow and achieve our status as the largest private sector bank in India by total assets as of March 31, 2018, while delivering value to our customers, stakeholders, employees and our community. HDFC Bank is one of the most trusted and preferred bank brands in India. We have been acknowledged as "India's Most Valuable Brand" by BrandZ for the fourth consecutive year and were named the Best Domestic Bank – India by the Asiamoney India Banking Awards in 2017. We have capitalised on our strong brand by establishing an extensive branch network throughout India serving a broad range of customers in urban, semi-urban and rural regions. As of March 31, 2018, we had 4,787 branches and 12,635 ATMs in 2,691 cities and towns and over 43.6 million customers, and of our total branches, 53% were in the semi-urban and rural areas. Our branch network is further complemented by our digital strategy, including online and mobile banking solutions, to provide our customers with access to on-demand banking services, which we believe allows us to develop strong and loyal relationships with our customers. We have aligned with the times in leveraging new technology to offer all banking solutions through the digital platform, which can be accessed by customers across devices of their choice.

We provide a wide range of products and high quality service to our clients in order to meet their banking needs

Whether in retail banking, wholesale banking or treasury operations, we consider ourselves a "one-stop shop" for our customers' banking needs. We consider our high quality service offerings to be a vital component of our business and believe in pursuing excellence in execution through multiple internal initiatives focused on continuous improvement. This pursuit of high quality service and operational execution directly supports our ability to offer a wide range of banking products.

Our retail banking products include deposit products, retail loans (such as vehicle and personal loans), and other products and services, such as private banking, depositary accounts, brokerage services, foreign exchange services, distribution of third party products (such as insurance and mutual funds), bill payments and sales of gold and silver bullion. In addition, we are the largest credit card issuer in India with 10.7 million cards outstanding as of March 31, 2018, and the second largest card issuer (across both debit and credit cards) amongst private sector banks in India, with 35.0 million total cards outstanding as of March 31, 2018. On the wholesale banking side, we offer customers working capital loans, term loans, bill collections, letters of credit, guarantees, foreign exchange and derivative products and investment banking services. We also offer a range of deposit and transaction banking services such as cash management, custodial and clearing bank services and correspondent banking. We believe our large scale and low cost of funds enable us to pursue high quality wholesale financing opportunities competitively and at an advantage compared to our peers. We collect taxes for the Government and are bankers to companies in respect of issuances of equity shares and bonds to the public. Our NBFC subsidiary HDBFSL, offers loan and asset finance products including tractor loans, consumer loans and gold loans, as well as business process outsourcing solutions such as forms processing, documents verification and back-office services.

We are able to provide this wide range of products across our branch network, meaning we can provide our targeted rural customers with banking products and services similar to those provided to our urban customers, which we believe gives us a competitive advantage. Our wide range of products and focus on superior service and execution also create multiple cross-selling opportunities for us and, we believe, promote customer retention.

We have achieved robust and consistent financial performance while maintaining a healthy asset quality during our growth

On account of our superior operational execution, broad range of products, expansion in our geographical reach and the resulting increase in market penetration through our extensive branch network, our assets have grown from ₹ 5,957.0 billion as of March 31, 2015 to ₹ 10,639.3 billion as of March 31, 2018. Our advances in the three-year period ended March 31, 2018 grew at a compounded annual growth rate ("**CAGR**") of 21.8%. Our net interest margin was 4.4% in Fiscal Year 2015 and 2018. Our current and savings account deposits as a percentage of our total deposits were 43.5% as of March 31, 2018, and we believe this strong current and savings account profile has enabled us to tap into a low cost fund base. In addition to the significant growth in our assets and net revenue, we remain focused on maintaining a healthy asset quality. We continue to have low levels of NPAs as compared to the average levels in the Indian banking industry. Our gross non-performing advances as a percentage of gross advances was 1.30% as of March 31, 2018 and our net non-performing advances was 0.40% of net advances as of March 31, 2018. Our net income has increased from ₹ 102.2 billion for Fiscal Year 2015 to ₹ 174.9 billion for Fiscal Year 2018. Net income as a percentage of average total shareholders' equity was 18.0% in Fiscal Year 2017 and 18.2% in Fiscal Year 2018 and net income as a percentage of average total assets was 1.9% in Fiscal Year 2017 and Fiscal Year 2018. We believe the combination of strong net income growth, robust deposit-taking, a low cost of funds and prudent risk management has enabled us to generate attractive returns on capital.

We have an advanced technology platform

We continue to make substantial investments in our advanced technology platform and systems and expand our electronically linked branch network. We have implemented mobile data based networking options in semi-urban and rural areas where telecom infrastructure and data connectivity are weak. These networks have enabled us to improve our core banking services in such areas and provide a link between our branches and data centers.

Our aim has always been to improve customer experience through digital innovation as an "Experiential Leader" and we are constantly working to develop new technology and improve the digital aspects of our business. We have recently invested in a digital banking platform, Backbase, to give a single unified omni-channel experience to our customers for mobility banking, online banking, the public website and payments. The first phase of our mobile banking app has been rolled out to consumers, while our forward outlook and initiatives taken in AI-led conversational banking have helped us introduce information, assistance and commerce chatbots. Furthermore, with the pilot launch of "IRA" (Intelligent Robotic Assistant), an interactive humanoid placed in a branch to help in servicing, we set a benchmark for what we believe to be a best in class digital experience for customers. Other recent major technological developments include LITE App (a bilingual mobile banking application that does not require an internet connection); Missed Call Recharge to top-up prepaid mobile phone minutes; a person-to-person smartphone payment solution called "Chillr"; PayZapp with SmartBuy, a payment system to improve the Bank's e-commerce processing capabilities; and the creation of a virtual relationship manager for high net worth customers. We have also rolled out product innovations like personal loans in 10 Seconds for salaried accounts and "Digital Loan Against Securities (LAS) in under three minutes in three easy steps ".

We have a dedicated digital innovation team to research and experiment with technology, which hosts a Digital Innovation Summit annually to attract new talent and business opportunities from the financial technology space. In addition, we have developed robust data analytic capabilities that allow us to cross-sell our products to customers through both traditional relationship management and interactive, on-demand methods depending on how customers choose to interact with us. We believe that our direct banking platforms are stable and robust, enabling new ways to connect with our customers to cross-sell various products and improve customer retention.

We believe the increased availability of internet access and broadband connectivity across India requires a comprehensive digital strategy to proactively develop new methods of connecting with customers. We are in the process of putting in place advance models of these methods that we term "BBC" (Biometrics – BlockChain) ("**BBC Initiative**"), together with conversational banking which is already in place (for example, our service Missed Call Commerce and Conversational Banking (MCCB)). We believe the BBC Initiative, which is most relevant for our connected customers, can help protect customer identity and establish authenticity (Biometrics) and promote secure and efficient interactions between customers and us (Blockchain), with an improved customer experience coming through artificial intelligence initiatives (Conversational Banking). For our customers with intermittent, limited or even no connectivity, or customers with evolving digital needs or preferences, we have introduced the MCCB service model and HDFC Bank LITE Banking (multilingual). We are continuously striving to improve our customers' banking experience, offering them a range of products tailored to their financial needs and making it easier for them to access and transact their banking accounts with the Bank.

In recent years we have been honored for our commitment to technology, including the Cisco-CNBC TV 18 Digitizing India Award for Innovations in the Financial Industry and Digital Banking, the IBA Banking Technology Award for Best Bank- IT Risk and Cyber Security Initiatives in 2017 the Best Bank – Banking Technology Excellence Award from IDRBT Banking Technology and the Businessworld Digital Leadership Award 2017 for Best Analytics Implementation. We believe our "Experiential Leadership" strategy and culture of innovation and development will be a crucial strength in remaining competitive in the years to come.

We have an experienced management team

Many of the members of our management have had a long tenure with us, which gives us a deep bench of experienced managers. They have substantial experience in banking or other industries and share our common vision of excellence in execution. Having a management team with such breadth and depth of experience is well suited to leverage the competitive strengths we have already developed across our large, diverse and growing branch network as well as allowing our management team to focus on creating new opportunities for our business. See also the section entitled "*Management*".

Our Business Strategy

Our business strategy emphasizes the following elements:

Increase our market share of India's expanding banking and financial services industry

In addition to benefiting from the overall growth in India's economy and financial services industry, we believe we can increase our market share by continuing to focus on our competitive strengths, including our strong HDFC Bank brand and our extensive branch and ATM networks, to increase our market penetration. We believe we can expand our market share by focusing on developing our digital offerings to target mass markets across India. We believe digital offerings will position us well to capitalize on growth in India's banking and financial services sector, arising from India's emerging middle class and growing number of bankable households. We believe we can also capture an increased market share by expanding our branch footprint, particularly by focusing on rural and semi-urban areas. As of March 31, 2018, we had 4,787 branches and 12,635 ATMs in 2,691 cities and towns. We believe these areas represent a significant opportunity for our continued growth as we expand banking services to those areas which have traditionally been underserved and which, by entering such markets, will enable us to establish new customer bases. We also believe that delivering banking services which are integrated with our existing business and product groups helps us to provide viable opportunities to the sections of the rural and semi-urban customer base that is consistent with our targeted customer profile throughout India.

Continue our investments in technology to support our digital strategy

We believe the increased availability of internet access and broadband connectivity across India requires a comprehensive digital strategy to proactively develop new methods of reaching our customers. As a result, we are continuously investing in technology as a means of improving our customers' banking experience, offering them a range of products tailored to their financial needs and making it easier for them to interact with their banking accounts with us. We believe our culture of innovation and development to be crucial to remaining competitive. As part of our dedication to digitization and technological development, we have appointed a digital innovation team to research, develop and experiment with new technologies. In February 2017, we hosted our Digital Innovation Summit to tap into emerging technological trends and innovations in the financial technology space. While we currently provide a range of options for customers to access their accounts, including internet banking, telephone banking, and banking applications on mobile devices, we believe additional investments in our technology infrastructure to further develop our digital strategy will allow us to cross-sell a wider range of products on our digital platform in response to our customers' needs and thereby expand our relationship with our customers across a range of customer segments. We believe a comprehensive digital strategy will provide benefits in developing long-term customer relationships by allowing customers to interact with us and access their accounts wherever and whenever they desire.

Cross-sell our broad financial product portfolio across our customer base

We are able to offer our complete suite of financial products across our branch network, including in our rural locations. By matching our broad customer base with our ability to offer our complete suite of products to both rural and urban customers across the retail banking, wholesale banking and treasury product lines, we believe that we can continue to generate organic growth by cross-selling different products by proactively offering our customers complementary products as their relationships with us develop and their financial needs grow and evolve.

Maintain strong asset quality through disciplined credit risk management

We have maintained high quality loan and investment portfolios through careful targeting of our customer base, and by putting in place what we believe are comprehensive risk assessment processes and diligent risk monitoring and remediation procedures. Our gross non-performing advances as a percentage of gross advances was 1.30% as of March 31, 2018 and our net non-performing advances as a percentage of net advances was 0.40% as of March 31, 2018. We believe we can maintain strong asset quality appropriate to the loan portfolio composition while achieving growth.

Maintain a low cost of funds

We believe we can maintain a relatively low-cost funding base as compared to our competitors, by leveraging our strengths and expanding our base of retail savings and current deposits and increasing the free float generated by transaction services, such as cash management and stock exchange clearing. Our non-interest bearing current and low-interest bearing savings account deposits were 43.5% of our total deposits as of March 31, 2018. Our average cost of funds (including equity) was 4.6% for Fiscal Year 2017 and 4.3% for Fiscal Year 2018.

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Preliminary Placement Document, including the section "Risk Factors", "Use of Proceeds", "Placement", "Issue Procedure" and "Description of the Equity Shares" on pages 39, 68, 189, 177 and 205, respectively.

Issuer	HDFC Bank Limited
Face value	₹ 2 per Equity Share
Issue Price	₹ [●] per Equity Share
Floor Price	₹ 2,179.13 per Equity Share. In terms of the SEBI ICDR Regulations, the Issue Price cannot be lower than the Floor Price. The Bank may offer a discount of not more than 5.00% on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations
Issue Size	[●] Equity Shares, aggregating to ₹ [●] million. A minimum of 10.00% of the Issue Size shall be available for Allocation to Mutual Funds only and the remaining Equity Shares shall be available for Allocation to all Eligible QIBs, including Mutual Funds. In case of undersubscription or no subscription or subscription in the minimum portion mentioned above, such minimum portion or part thereof may be Allotted to other Eligible QIBs.
Date of Board Resolution authorizing the Issue	December 20, 2017
Date of Shareholders' Resolution authorizing the Issue	January 19, 2018
Eligible Investors	QIBs as defined in regulation 2(1)(zd) of the SEBI ICDR Regulations, which are not, (a) excluded pursuant to Regulation 86 of the SEBI ICDR Regulations; or (b) registered FVCIs or bilateral and multilateral financial institutions, are eligible to invest in this Issue. See the section "Issue Procedure – Eligible QIBs" on page 180.
ADR Offering	As approved by (i) the Board by its resolution dated December 20, 2017; and (ii) the shareholders of the Bank pursuant to their resolution dated January 19, 2018, the Bank is simultaneously conducting an offering of Equity Shares in the form of American Depository Receipts ("**ADRs**") each ADR representing three Equity Shares (the "**ADR Offering**"). The Bank, at its discretion, may decided to withdraw the ADR Offering at any time up to the date of pricing of the ADR Offering.
Equity Shares issued and outstanding immediately prior to the Issue (without considering the ADR Offering)	2,643,254,684 Equity Shares
Depositories	NSDL and CDSL
Indian taxation	For details, see the section "Taxation - *Statement of Tax Benefits*"

<table>
<tr><td></td><td colspan="2">beginning on page 208.</td></tr>
<tr><td>Listing & trading</td><td colspan="2">The Bank has obtained in-principle approvals in terms of Regulation 28 of the SEBI Listing Regulations, for listing of the Equity Shares issued pursuant to the Issue from the Stock Exchanges.

The Bank will make applications to each of the Stock Exchanges after Allotment to obtain final listing and trading approval for the Equity Shares.

Trading of the Equity Shares shall be in demat form.</td></tr>
<tr><td>Lock-up</td><td colspan="2">For details in relation to lock-up, see the section entitled “Placement – Lock-up” on page 189 for a description of restrictions on the Bank in relation to Equity Shares.</td></tr>
<tr><td>Transferability Restrictions</td><td colspan="2">The Equity Shares to be issued pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges.

See the section “Transfer Restrictions” on page 200.</td></tr>
<tr><td>Use of Proceeds</td><td colspan="2">The gross proceeds from the Issue will be ₹ [●] million. The net proceeds from the Issue, after deducting fees and commissions for the Issue, will be ₹ [●] million.

See the section “Use of Proceeds” on page 68 for information regarding the use of net proceeds from the Issue.</td></tr>
<tr><td>Risk Factors</td><td colspan="2">See the section “Risk Factors” on page 39 for a discussion of risks you should consider before investing in the Equity Shares.</td></tr>
<tr><td>Pay-In Date</td><td colspan="2">Last date specified in the CAN sent to the Eligible QIBs for payment of application money.</td></tr>
<tr><td>Closing</td><td colspan="2">The Allotment of the Equity Shares, expected to be made on or about [●], 2018.</td></tr>
<tr><td>Ranking</td><td colspan="2">The Equity Shares to be issued pursuant to the Issue shall be subject to the provisions of the Memorandum of Association and Articles of Association and shall rank pari passu with the existing Equity Shares of the Bank, including rights in respect of dividends.

The shareholders of the Bank (who hold Equity Shares as on the record date) will be entitled to participate in dividends and other corporate benefits, if any, declared by the Bank after the Closing Date, in compliance with the Companies Act, the SEBI Listing Regulations and other applicable laws and regulations. Shareholders may attend and vote in shareholders’ meetings in accordance with the provisions of the Companies Act. See sections “Dividends” and “Description of the Equity Shares” on pages 74 and 205, respectively.</td></tr>
<tr><td rowspan="3">Security Codes for the Equity Shares</td><td>ISIN</td><td>INE040A01026</td></tr>
<tr><td>BSE Code</td><td>500180</td></tr>
<tr><td>NSE Code</td><td>HDFCBANK</td></tr>
</table>

SELECTED FINANCIAL INFORMATION

The following tables set forth our selected financial and operating information. Our selected information on statement of profit and loss for the Fiscal Years ended March 31, 2016, 2017 and 2018 and the selected balance sheet data as of March 31, 2016, 2017 and 2018 are derived from our audited unconsolidated financial statements included in this Preliminary Placement Document together with the report of Deloitte Haskins and Sells, Chartered Accountants, our erstwhile statutory auditors.

We have extracted the reformatted financial information from our audited unconsolidated annual financial statements for the years ended March 31, 2016, 2017 and 2018. The reformatted financial information in this section has been presented as they were produced in the respective periods' audited financial statements or financial results and have been prepared using the accounting policies as they were consistently followed in the respective years. For the purposes of comparative analysis below, previous periods' figures have been reclassified wherever necessary. Certain portions of the reformatted financial statements have been converted from crores or thousands, as the case may be, into millions and shown to the nearest million of Indian rupees. Our audited consolidated financial statements as of and for the years ended March 31, 2016, 2017 and 2018 are presented in the section "Financial Statements" on page 235 and have been provided for informational purposes only. Neither the information set forth below nor the format in which it is presented should be viewed as comparable to information presented in accordance with U.S. GAAP, IFRS or other accounting principles.

You should read the following information together with the more detailed information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements, including the notes thereto and the reports thereupon, which appear in the section "Financial Statements". Footnotes appear at the end of each related section of tables, where applicable. For the purposes of this section, we have translated selected Indian rupee amounts into U.S. dollars for convenience. These translations from Indian rupees to U.S. dollars are based on the RBI reference rate at US$ 1.00 = ₹ 65.0441 on March 28, 2018.

Summary of Changes to Classification

Effective Fiscal Year 2017, we included our repurchase / reverse repurchase transactions under Liquidity Adjustment Facility ("**LAF**") and Marginal Standing Facility ("**MSF**") with RBI under "Borrowings from RBI" / "Balances with RBI", as the case may be. Prior to Fiscal Year 2017, these transactions were netted from / included under "Investments". Figures of the previous years have been regrouped / reclassified to conform to the current classification. The above change in classification has no impact on our profits for the periods presented. Also see note 1 under *Schedule 18 – Notes forming part of the financial statements for the year ended March 31, 2017*.

Effective Fiscal Year 2017, we have not appropriated proposed dividend from Statement of Profit and Loss, as required under revised Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016. Prior to Fiscal Year 2017, the proposed dividend and the tax thereon, was shown under Appropriations in the Statement of Profit and Loss and an equivalent amount was included under Other Liabilities. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of the capital adequacy ratio as at March 31, 2017. Also see note 2 under *Schedule 18 – Notes forming part of the financial statements for the year ended March 31, 2017*.

Effective Fiscal Year 2016, we included our deposits placed with National Bank for Agriculture and Rural Development ("**NABARD**"), Small Industries Development Bank of India ("**SIDBI**") and National Housing Bank ("**NHB**"), arising out of the shortfall in meeting the priority sector lending targets/sub-targets, under "Other Assets" and interest income thereon under "Interest Earned – Others". Prior to Fiscal Year 2016, these were included under "Investments" and "Interest Earned – Income on Investments" respectively. Figures for the previous year have been regrouped / reclassified to conform to the current classification. The above change in classification has no impact on our profits for the periods presented. Also see note 1 under *Schedule 18 – Notes forming part of the financial statements for the year ended March 31, 2016*.

Selected profit and loss statement information:

	Year ended March 31,			
	2016	**2017**	**2018**	**2018**
	(₹ in Million)			**(US$ in Million)**
Interest income	₹ 602,214.5	₹ 693,059.6	₹ 802,413.5	US$ 12,336.5
Other income	107,517.2	122,965.0	152,203.0	2,340.0
Total Income	**709,731.7**	**816,024.6**	**954,616.5**	**14,676.5**
Interest expended	326,299.4	361,667.4	401,464.9	6,172.2
Operating expenses	169,797.0	197,033.4	226,903.7	3,488.5
Provisions and contingencies	90,673.2	111,827.4	151,380.6	2,327.4
Total Expenditure	**586,769.6**	**670,528.2**	**779,749.2**	**11,988.1**
Net profit for the year	**122,962.1**	**145,496.4**	**174,867.3**	**2,688.4**
Balance in Profit and Loss account brought forward	186,277.9	235,276.9	326,689.5	5,022.6
Total	**309,240.0**	**380,773.3**	**501,556.8**	**7,711.0**
Appropriations				
Transfer to/(from)				
(a) Statutory reserve	30,740.5	36,374.1	43,716.8	672.1
(b) Proposed dividend	24,017.8	-	-	-
(c) Tax (including cess) on dividend	4,889.4	-	-	-
(d) Dividend (including tax/cess thereon) pertaining to previous year paid during the year	(117.1)	(16.9)	33,905.8	521.3
(e) General reserve	12,296.2	14,549.6	17,486.7	268.8
(f) Capital Reserve	2,221.5	3,134.1	2,355.2	36.2
(g) Investment reserve	(85.2)	42.9	(442.0)	(6.8)
Balance carried over to balance sheet	235,276.9	326,689.5	404,534.3	6,219.4
Total	**309,240.0**	**380,773.3**	**501,556.8**	**7,711.0**
Earnings per equity share (Face value ₹ 2 per share)				
Basic	₹ 48.8	₹ 57.2	₹ 67.8	US$ 1.0
Diluted	48.3	56.4	66.8	1.0

Selected balance sheet information:

	As of March 31,			
	2016	**2017**	**2018**	**2018**
	(₹ in Million)			**(US$ in Million)**
Capital and liabilities				
Capital	5,056.4	5,125.1	5,190.2	79.8
Reserves and surplus	721,721.3	889,498.4	1,057,759.8	16,262.2
Deposits	5,464,241.9	6,436,396.6	7,887,706.4	121,267.1
Borrowings	849,689.8	740,288.7	1,231,049.7	18,926.4
Other liabilities and provisions	367,251.3	567,093.1	457,637.1	7,035.7
Total	**7,407,960.7**	**8,638,401.9**	**10,639,343.2**	**163,571.2**
Assets				
Cash and balances with Reserve Bank of India	300,583.1	378,968.7	1,046,704.7	16,092.2
Balances with banks and money at call and short notice	88,605.3	110,552.2	182,446.1	2,805.0
Investments	1,958,362.8	2,144,633.4	2,422,002.4	37,236.3
Advances	4,645,939.6	5,545,682.0	6,583,330.9	101,213.3
Fixed assets	33,431.5	36,267.4	36,072.1	554.6
Other assets	381,038.4	422,298.2	368,787.0	5,669.8
Total	**7,407,960.7**	**8,638,401.9**	**10,639,343.2**	**163,571.2**
Contingent liabilities	8,533,181.1	8,178,695.9	8,754,882.3	134,599.2
Bills for collection	234,900.0	308,480.4	427,538.3	6,573.1

Selected cashflow statement information:

	Year ended March 31,		
	2016	**2017**	**2018**
	(₹ in Million)		
Cash flow generated from / (used in) operating activities	(301,321.9)	235,854.0	260,740.7
Cash flow used in investing activities	(6,557.1)	(19,562.5)	(5,331.0)
Cash flow generated from / (used in) financing activities	333,470.4	(115,676.3)	484,114.3
Effect of exchange fluctuation on translation reserve	282.5	(282.6)	105.8
Net (decrease) / increase in cash and cash equivalents	**25,873.9**	**100,332.6**	**739,629.8**
Cash and cash equivalents at the beginning of the year	363,314.5	389,188.4	489,521.0
Cash and cash equivalents at the end of the year	389,188.4	489,521.0	1,229,150.8

Selected ratios:

	Year ended March 31,		
	2016	2017	2018
	(in percentage)		
Profitability:			
Net profit as a percentage of:			
Average total assets	1.9	1.9	1.9
Average total shareholders' equity	18.0	18.0	18.2
Dividend payout ratio(1)	23.5	23.3	23.3
Spread(2)	4.0	4.1	4.3
Net interest margin(3)	4.2	4.3	4.4
Cost-to-net revenue ratio(4)	44.3	43.4	41.0
Cost-to-average assets ratio(5)	2.6	2.5	2.5
Average total shareholders' equity as a percentage of average total assets	10.5	10.4	10.6

	At March 31,		
	2016	2017	2018
	(in percentage)		
Capital:			
Total capital adequacy ratio(6)	15.53	14.55	14.82
Tier 1 capital adequacy ratio(6)	13.22	12.79	13.25
Tier 2 capital adequacy ratio(6)	2.31	1.76	1.57
Asset quality:			
Gross non-performing assets as a percentage of gross advances	0.94	1.05	1.30
Net non-performing assets as a percentage of net advances	0.28	0.33	0.40
Total specific provisions for NPAs as a percentage of gross non-performing assets	69.94	68.67	69.78

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1. Represents the ratio of total proposed dividends on equity shares relating to each Fiscal Year, including the dividend distribution tax, as a percentage of net profit of that year. See "Dividend Policy."
2. Represents the difference between yield on average interest-earning assets and cost of average interest-bearing liabilities. Yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. For the purposes of calculating spread, interest-bearing liabilities include non-interest bearing current account deposits.
3. Represents the ratio of net interest income to average total assets.
4. Represents the ratio of operating expenses to the sum of net interest income and other income.
5. Represents the ratio of operating expenses to average total assets.
6. The Bank's capital to risk-weighted assets ratio ("**Capital Adequacy Ratio**") is calculated in accordance with the RBI's guidelines on Basel III capital regulations ("**Basel III**").

RISK FACTORS

You should carefully consider the following risk factors in evaluating us and our business. An investment in equity shares involves a high degree of risk. You should carefully consider each of the following risk factors and all other information set forth in this Preliminary Placement Document, including the risks and uncertainties described below, before making an investment in the Equity Shares. This section should be read together with "Industry Overview", "Business", "Selected Financial and Other Information", "Selected Statistical Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as the financial statements, including the notes thereto, and other financial information included elsewhere in this Preliminary Placement Document.

The risks and uncertainties described below are not the only risks that we currently face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business, prospects, financial condition and results of operations and cashflows. If any or some combination of the following risks, or other risks that are not currently known or believed to be material, actually occur, our business, financial condition and results of operations and cashflows could suffer, the trading price of, and the value of your investment in, Equity Shares could decline and you may lose all or part of your investment. In making an investment decision, you must rely on your own examination of the Bank and the terms of this Issue, including the merits and risks involved.

This Preliminary Placement Document also contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from such forward-looking statements as a result of certain factors including the considerations described below and elsewhere in this Preliminary Placement Document.

Risks Relating to our Business

A slowdown in economic growth in India would cause us to experience slower growth in our asset portfolio and deterioration in the quality of our assets.

Our performance and the quality and growth of our assets are dependent on the health of the overall Indian economy, which is, in turn, linked to global economic conditions. Economic growth in India is affected by inflation, interest rates, external trade, capital flows and, given India's dependence on imported oil for its energy needs, oil prices. The Indian economy in general, and the agricultural sector in particular, are also impacted by weather conditions, including the level and timing of monsoon rainfall. Investments by the corporate sector in India are affected by Government policies and decisions, including those relating to awards of licenses, access to land and natural resources and the protection of the environment. A slowdown in global growth and volatility in global financial markets could contribute to a weakness in the Indian financial and economic environment.

The global economy is expected to recover this year, with the IMF predicting global growth to recover to 3.9% in 2018 from 3.2% in 2016 and 3.7% in 2017, with growth in developed economies like the United States picking up to 2.9% in 2018 from 2.3% in 2017 and the European Economic Area to 2.4% from 2.3%, while growth in the rest of the developed markets may moderate slightly in 2018. While emerging markets and developing economies are expected to record slightly higher growth at 4.9% in 2018 compared to 4.7% in 2017, the IMF expects China to see a moderation in its growth rate (from 6.9% in 2017 to 6.6% in 2018) and were this slowdown to be sharp, it could also have some negative implications for emerging markets, including India, through trade channels and impact on investors' sentiment.

In addition, the continuation of a tighter monetary policy in the United States could further undermine financial stability in an emerging market economy like India, particularly if coupled with the start of tightening monetary policies in both the U.K. and the EU. Such economic conditions, including current and expected political uncertainties in the Eurozone, in particular, the negotiations between U.K. and EU policymakers following the U.K.'s vote to leave the European Union, could result in heightened volatility and risk on sentiment which could adversely affect our business, including our ability to grow our asset portfolio, the quality of our assets and our ability to implement our strategy. Also, the Indian economy may be adversely affected by volatile oil prices, given India's dependence on imported oil for its energy needs, inflationary pressures and weather conditions adversely affecting the Indian agricultural market or other factors. India also faces major challenges in sustaining its growth rate, including the need for substantial infrastructure development and improved access to healthcare and education.

In Fiscal Year 2015, the Indian Government introduced a new methodology for estimating the gross domestic product and also began publishing sector data on a gross value added basis. According to the new methodology, India's gross domestic product grew by 7.5% in Fiscal Year 2015, 8.0% in Fiscal Year 2016, 7.1% in Fiscal Year 2017 and 6.6% in Fiscal Year 2018. In addition, the RBI entered into a monetary policy framework agreement with the Government of India, affirming that the RBI would pursue a consumer inflation target of 4% with an upper tolerance level of 6% and lower limit of 2% for the five years ending March 31, 2021. Actual inflation readings so far have remained within the RBI's target zone—consumer price inflation declined to 4.5% in Fiscal Year 2017 from 4.9% in Fiscal Year 2016 and has averaged 3.6% during in Fiscal Year 2018.

However, a return to a tighter interest rate regime on account of inflation, other market factors, changes in the conduct of monetary policy or otherwise may put a constraint on economic growth in India. Any prolonged slowdown may adversely impact credit growth and the level of non-performing and restructured loans. If the Indian economy deteriorates, our asset base may erode, which would result in a material decrease in our net profits and total assets.

If we are unable to manage our rapid growth, our operations may suffer and our performance may decline.

We have grown rapidly over the last three Fiscal Years. Our loan growth rate has been significantly higher than that of the Indian banking industry. Our loans in the three-year period ended March 31, 2017 grew at a compounded annual growth rate of approximately 22.4%. The compounded annual growth for the Indian banking industry for the same period is approximately 6.4% The growth in our business is partly attributable to the expansion of our branch network. As at March 31, 2013, we had a branch network comprised of 3,062 branches, which increased to 4,787 branches as at March 31, 2018. Section 23 of the Banking Regulation Act, 1949 (the "**Banking Regulation Act**") provides that banks must obtain the prior approval of the RBI to open new branches. Further, the RBI may cancel a license for violations of the conditions under which it was granted. The RBI issues instructions and guidelines to banks on branch authorization from time to time. With the objective of liberalizing the branch licensing process, the RBI, effective October 2013, granted general permission to banks, including us, to open branches in Tier 1 to Tier 6 centers, subject to a requirement to report to the RBI and certain other conditions. In May 2017, the RBI has further liberalised the branch authorization policy. See "*Supervision and Regulation—Regulations Relating to the Opening of Branches*". If we are unable to perform in a manner satisfactory to the RBI in any of these centers or comply with the specified conditions, it may have an impact on the number of branches we will be able to open, which would, in turn, have an impact on our future growth.

In addition, our rapid growth has placed, and if it continues, will place, significant demands on our operational, credit, financial and other internal risk controls including:

- recruiting, training and retaining sufficient skilled personnel;
- upgrading, expanding and securing our technology platform;
- developing and improving our products and delivery channels;
- preserving our asset quality as our geographical presence increases and customer profile changes;
- complying with regulatory requirements such as the Know Your Customer ("**KYC**") norms; and
- maintaining high levels of customer satisfaction.

If our internal risk controls are insufficient to sustain our rapid rate of growth, if we fail to properly manage our rapid growth, or if we fail to perform adequately in any of the above areas, our operations would suffer and our business, results of operations and financial position would be materially adversely affected.

Our business is particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our treasury income and our financial performance.

Our results of operations depend to a great extent on our net interest income. During Fiscal Year 2018, net interest income represented 72.5% of our net revenue (net interest income plus other income). Changes in market interest rates affect the interest rates charged on our interest-earning assets differently from the interest rates paid on our interest-bearing liabilities and also affect the value of our investments. An increase in interest rates could result in an increase in interest expense relative to interest income if we are not able to increase the rates charged on our loans, which would lead to a reduction in our net interest income and net interest margin. Further, an increase in interest rates could negatively affect demand for our loans and we may not be able to achieve our volume growth, which could adversely affect our net profits. A decrease in interest rates could result in a decrease in interest income relative to interest expense due to the repricing of our loans at a pace faster than the rates we pay on our interest-bearing liabilities. The quantum of the changes in interest rates for our assets and liabilities may also be different.

While the RBI increased the policy repo rate by 25 basis points in January 2014, domestic interest rates have softened from the levels in the latter part of 2013 (when the RBI initiated emergency liquidity tightening measures). The combination of global disinflationary pressures (a result of falling commodity prices and subdued growth), better supply management of food items, including prudent food stock management, appropriate monetary policy action and subdued global commodity prices have helped to keep domestic inflation in check in recent years, thereby causing consumer price index inflation to decrease from levels of 8.25% in March 2014 to 5.25% in March 2015 to 4.83% in March 2016 to 3.89% in March 2017. For March 2018, although the inflation print was higher it remained in the comfort zone of the RBI at 4.3%. The softening in inflation led the RBI to cut the policy repo rate by 75 basis points in Fiscal Year 2016, by another 50 bps in Fiscal Year 2017 and by 25 basis points in Fiscal Year 2018. In addition, in order to make the liquidity situation more comfortable, the RBI also conducted net open market operation ("**OMO**") with purchases of ₹ 1.1 trillion in Fiscal Year 2017 and sales of ₹ 0.9 trillion in Fiscal Year 2018. Moreover, the demonetization of the 500 and 1000 rupee notes also provided the system with ample liquidity. In response to the declining policy rates, easing liquidity conditions, the benchmark bond yield eased during most of Fiscal Year 2016 and 2017. However, recent yields have increased on concerns of higher inflation and looming fiscal concerns at both the centre and state level. Further, considering the higher inflationary pressures, the RBI has increased the policy repo rate to 6.25% in June 2018.

On a going-forward basis, there are certain trends that could change interest rates or lead to increase in interest rate volatility. If the fiscal deficit for states is higher than the fiscal deficit target, or if crude oil prices remain relatively high, or if global interest rates rise rapidly, the RBI could raise rates in the current Fiscal Year. A further narrowing of liquidity surplus (domestically or globally) could lead to further rise in bond yields in Fiscal Year 2019. These trends could be more intense than we expect, or interest rates and bond yields could change as a result of a number of different factors which we cannot predict at this time. Any volatility in interest rates could thereby adversely affect our net interest margin, the value of our fixed income portfolio, our treasury income and our financial performance. See "*Selected Statistical Information—Analysis of Changes in Interest Revenue and Interest Expense*" and "*Selected Statistical Information—Yields, Spreads and Margins*".

If the level of non-performing loans in our portfolio increases, we will be required to increase our provisions, which would negatively impact our income.

Our gross non-performing assets ("**NPAs**") represented 1.30% of our gross loans as of March 31, 2018. Our NPAs net of specific provisions represented 0.40% of our net loan portfolio as of March 31, 2018. Our management of credit risk involves having appropriate credit policies, underwriting standards, approval processes, loan portfolio monitoring, remedial management and the overall architecture for managing credit risk. In the case of our secured loan portfolio, the frequency of the valuation of collateral may vary based on the nature of the loan and the type of collateral. A decline in the value of collateral or an inappropriate collateral valuation increases the risk in the secured loan portfolio because of inadequate coverage of collateral. As of March 31, 2018, 71.6% of our loan book was partially or fully secured by collateral. Our risk mitigation and risk monitoring techniques may not be accurate or appropriately implemented and we may not be able to anticipate future economic and financial events, leading to an increase in our NPAs. See "*Note 10—Loans*" in our consolidated financial statements for the year ended March 31, 2018.

Provisions are created by a charge to expense, and represent our estimate for loan losses and risks inherent in the credit portfolio. See "Selected Statistical Information—*Non-performing Loans*". The determination of an appropriate level of loan losses and provisions required inherently involves a degree of subjectivity and requires that we make estimates of current credit risks and future trends, all of which may undergo material changes. Our provisions may not be adequate to cover any further increase in the amount of non-performing loans or any further deterioration in our non-performing loan portfolio. Further, as part of its supervision process, the RBI assesses our asset classification and provisioning requirements. In the event that additional provisioning is required by the RBI, our profits, balance sheet and capital adequacy could be affected, which could have a material adverse impact on our business, future financial performance, shareholders' equity and the price of our Equity Shares. As part of an RBI supervisory process, the RBI has identified certain modifications in respect of our asset classification for three of our accounts and resultant additional provision. One of these accounts has since been upgraded to "standard" account classification. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Divergence in Asset Classification and Provisioning". Any further RBI supervisory process or any imposition in the future of even more stringent regulatory requirements or any directives by the RBI on the methodology of classification of non-performing loans may result in a significant increase in our non-performing loans and resultant additional provision in the future. If we are not able to continue to reduce our existing non-performing loans, or if there is a significant increase in the amount of new loans classified as non-performing loans as a result of a change in the methodology of non-performing loans classification mandated by the RBI or otherwise, our asset quality may deteriorate, our provisioning for probable losses may increase and our business, future financial performance and the trading price of our Equity Shares could be adversely affected. In addition, we are a relatively young bank operating in a growing economy and we have yet not experienced a significant and prolonged downturn in the economy.

A number of factors outside of our control affect our ability to control and reduce NPAs. These factors include developments in the Indian economy, domestic or global turmoil, global competition, changes in interest rates and exchange rates and changes in regulations, including with respect to regulations requiring us to lend to certain sectors identified by the RBI or the Government of India. For example, recently, certain state Governments have announced waiver of amounts due under agricultural loans provided by the banks. Demands for similar waivers have been raised by farmers in other states as well. Also, in the past, the central and state Governments have waived farm loans from time to time to provide some respite to the debt-ridden agricultural sector. It is unclear when the Governments will compensate the banks for the waivers so announced. Further, such frequent farm waivers may create expectations of future waivers among the farmers and lead to a delay in or cessation of loan repayments, which may lead to a rise in our non-performing loans. These factors, coupled with other factors such as volatility in commodity markets, declining business and consumer confidence and decreases in business and consumer spending, could impact the operations of our customers and in turn impact their ability to fulfill their obligations under the loans granted to them by us. In addition, the expansion of our business may cause our NPAs to increase and the overall quality of our loan portfolio to deteriorate. If our NPAs increase, we will be required to increase our provisions, which would result in our net profit being less than it otherwise would have been and would adversely affect our financial condition.

We have high concentrations of exposures to certain customers and sectors and if any of these exposures were to become non-performing, the quality of our portfolio could be adversely affected and our ability to meet capital requirements could be jeopardised.

We calculate customer and industry exposure (i.e. the loss we could incur due to the downfall of a customer or an industry) in accordance with the policies established by the RBI. In the case of customer exposures, we aggregate the higher of the outstanding balances of, or limits on, funded and non-funded exposures. As of March 31, 2018, our largest single customer exposure was ₹ 91.0 billion, representing 9.8% of our capital funds, and our ten largest customer exposures totaled ₹ 674.5 billion, representing 72.4% of our capital funds, in each case, computed in accordance with RBI guidelines. None of our ten largest customer exposures were classified as non-performing as of March 31, 2018. However, if any of our ten largest customer exposures were to become non-performing, our net profits would decline and, due to the magnitude of the exposures, our ability to meet capital requirements could be jeopardised. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" for a detailed discussion on customer exposures. In December 2016, the RBI released a framework for large exposures with limits on exposure of banks to single counterparty and a group of connected counterparties. As per this framework, the sum of all the exposure values of a bank to a single counterparty must not be higher than 20% of the bank's available eligible capital base at all times and the sum of all the exposure values of a bank to a group of connected counterparties must not be higher than 25% of the bank's available eligible capital base at all times. This framework is expected to be implemented in full by April 1, 2019 and the extant exposure norms applicable for credit exposure to individual borrowers or to groups of companies under the same management control will no longer be applicable from that date. Banks are required to gradually adjust their exposures so as to comply with the limits given in the framework for large exposures. In August 2016, the RBI issued guidelines proposing limits on the aggregate exposure of the banking system to large borrowers, with lending beyond the specified limits attracting higher risk weights and provisioning. These guidelines which are effective from April 1, 2017, and our focus on controlling and reducing concentration risk, may restrict our ability to grow our business with some customers, and require us to reduce our exposure to some groups.

Further, in February 2018, the RBI released a revised framework for resolution of stressed assets ("**Revised Framework**") repealing the existing instructions on resolution of stressed assets including the 'Framework for Revitalising Distressed Assets', 'Corporate Debt Restructuring Scheme', 'Flexible Structuring of Existing Long Term Project Loans', 'Strategic Debt Restructuring Scheme', 'Change in Ownership outside SDR', and Scheme for Sustainable Structuring of Stressed Assets. The Revised Framework requires all lenders, including us, to put in place policies, approved by the board of directors of the lender, for resolution of stressed assets, including the timelines for resolution. As soon as there is a default in the borrower entity's account with any lender, all lenders, either singly or jointly, shall be required to initiate steps to cure the default. Specifically, in respect of accounts to which the lenders have an aggregate exposure of more than ₹ 20 billion, the lenders are to implement a resolution plan within a certain period, failing which they are required to file an insolvency application, singly or jointly, under the Insolvency and Bankruptcy Code, 2016. See "*Supervision and Regulations – Revised Framework for Resolution of Stressed Assets*". If the lenders fail to meet such timelines, such lenders will be subject to stringent supervisory review and enforcement actions by the RBI, including higher provisioning on such accounts and monetary penalties.

As of March 31, 2018, our largest industry concentrations, based on RBI guidelines, were as follows: NBFC/financial intermediaries (5.5%), banks and financial institutions (4.4%), automobile & auto ancillary (3.9%), agriculture production-food (3.8%). In addition, as of March 31, 2018, 23.4% of our exposures were consumer loans. Industry-specific difficulties in these or other sectors may increase our level of non-performing customer assets. If we experience a downturn in an industry in which we have concentrated exposure, our net profits will likely decline significantly and our financial condition may be materially adversely affected. As of March 31, 2018, our total NPAs were concentrated in the following industries: agriculture production-food (14.2%), food and beverage (6.8%), agriculture—allied (6.8%) and retail trade (5.3%). In addition, 16.9% of our non-performing loans were consumer loans.

We are required to undertake directed lending under RBI guidelines. Consequently, we may experience a higher level of non-performing assets in our directed lending portfolio, which could adversely impact the quality of our loan portfolio, our business and the price of our Equity Shares. Further, in the case of any shortfall in complying with these requirements, we may be required to invest in deposits of Indian development banks as directed by the RBI. These deposits yield low returns, thereby impacting our profitability.

The RBI prescribes guidelines on priority sector lending ("**PSL**") in India. Under these guidelines, banks in India are required to lend 40.0% of their adjusted net bank credit ("**ANBC**") or the credit equivalent amount of off-balance sheet exposures ("**CEOBE**"), whichever is higher, as defined by the RBI and computed in accordance with Indian GAAP figures, to certain eligible sectors categorised as priority sectors. The RBI has issued revised priority sector lending norms applicable from Fiscal Year 2016 onwards. The priority sector requirements must be met as of March 31 of the Fiscal Year with reference to the higher of the ANBC and the CEOBE as of the corresponding date of the preceding year. From Fiscal Year 2017, PSL achievement is required to be evaluated at the end of the financial year based on the average of priority sector target / sub-target achievement as at the end of each quarter of that financial year. See "*Supervision and Regulation — Directed Lending*". Under the guidelines, scheduled commercial banks having any shortfall in lending to the priority sector shall be allocated amounts for contribution to the Rural Infrastructure Development Fund ("**RIDF**") established with National Bank for Agriculture and Rural Development ("**NABARD**") and other Funds with NABARD, National Housing Bank ("**NHB**"), Small Industries Development Bank of India ("**SIDBI**") or Micro Units Development & Refinance Agency Limited ("**MUDRA**"), as decided by the RBI from time to time. The interest rates on such deposits may be lower than the interest rates which the Bank would have obtained by investing these funds at its discretion.

Further, the RBI has directed banks to maintain direct lending to non-corporate farmers at the banking system's average level for the last three years, which would be notified by the RBI at the beginning of each year. The target for Fiscal Year 2018 was 11.78%. Failure to maintain these lending levels to non-corporate farmers will attract penalties. The RBI has also directed banks to continue to pursue the target of 13.5% of ANBC towards lending to borrowers who constituted the direct agriculture lending category under the earlier guidelines. If we fail to adhere to the RBI's policies and directions, we may be subject to penalties, which may adversely affect our results of operations. Furthermore, the RBI can make changes to the types of loans that qualify under the PSL scheme. Changes that reduce the types of loans that can qualify toward meeting our PSL targets could increase shortfalls under the overall target or under certain sub-targets.

Our total PSL achievement for Fiscal Year 2018 stood at 41.2% and our achievement of direct lending to non-corporate farmers stood at 14.6% for Fiscal Year 2018 as against a requirement of 40% and 11.78%, respectively. However, in Fiscal Year 2018 agricultural loans made to small and marginal farmers were 7.3% of ANBC, against the requirement of 8.0%, with a shortfall of ₹ 32.7 billion. Advances to sections termed "weaker" by the RBI were 10.2% against the requirement of 10.0%. Our achievement stood at 14.7% compared to a target of 13.5% of ANBC towards lending to borrowers, who constituted the direct agriculture lending category under the earlier guidelines.

We may experience a higher level of NPAs in our PSL lending portfolio, particularly in loans to the agricultural sector, small enterprises and weaker sections, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. Our gross NPAs in the PSL as a percentage to gross loans were 0.6% as of March 31, 2018 (as compared to 0.4% as of March 31, 2017). Further expansion of the PSL scheme could result in an increase of NPAs due to our limited ability to control the portfolio quality under the directed lending requirements.

In addition to the PSL requirements, the RBI has encouraged banks in India to have a financial inclusion plan for expanding banking services to rural and unbanked centers and to customers who currently do not have access to banking services. The expansion into these markets involves significant investments and recurring costs. The profitability of these operations depends on our ability to generate business volumes in these centers and from these customers. Future changes by the RBI in the directed lending norms may result in our inability to meet the PSL requirements as well as require us to increase our lending to relatively more risky segments and may result in an increase in non-performing loans.

We may be unable to foreclose on collateral in a timely fashion or at all when borrowers default on their obligations to us, or the value of collateral may decrease, any of which may result in failure to recover the expected value of collateral security, increased losses and a decline in net profits.

Although we typically lend on a cash-flow basis, many of our loans are secured by collateral, which consists of liens on inventory, receivables and other current assets, and in some cases, charges on fixed assets, such as property, movable assets (such as vehicles) and financial assets (such as marketable securities). As of March 31, 2018, 71.6% of our loans were partially or fully secured by collateral. We may not be able to realize the full value of the collateral, due to, among other things, stock market volatility, changes in economic policies of the Government, obstacles and delays in legal proceedings, borrowers and guarantors not being traceable, the Bank's records of borrowers' and guarantors addresses being ambiguous or outdated and defects in the perfection of collateral and fraudulent transfers by borrowers. In the event that a specialised regulatory agency gains jurisdiction over the borrower, creditor actions can be further delayed. In addition, the value of collateral may be less than we expect or may decline. For example, the global economic slowdown and other domestic factors had led to a downturn in real estate prices in India, which negatively impacted the value of our collateral.

The RBI has introduced various mechanisms, from time to time, to enable the lenders to timely resolve and initiate recovery with regards to stressed assets. In February 2018, RBI released a revised framework for resolution of stressed assets providing a simplified generic framework for resolution of stressed assets to harmonise the process of resolving stressed assets with the insolvency resolution process provided under the Insolvency and Bankruptcy Code, 2016 and the rules prescribed thereunder (the "**Insolvency and Bankruptcy Code**"). See "*Supervision and Regulations – Revised Framework for Resolution of Stressed Assets*".

The Insolvency and Bankruptcy Code was introduced in December 1, 2016, with the aim to provide for the efficient and timely resolution of insolvency of all persons, including companies, partnership firms, limited liability partnerships and individuals. For further details, see "*Supervision and Regulation—Insolvency and Bankruptcy Code*". However, given the limited experience of this framework, there can be no assurance that we will be able to successfully implement the above-mentioned mechanisms and recover the amounts due to us in full. The inability to foreclose on such loan dues or otherwise liquidate our collateral may result in failure to recover the expected value of such collateral security, which may, in turn, give rise to increased losses and a decline in net profits.

Our unsecured loan portfolio is not supported by any collateral that could help ensure repayment of the loan, and in the event of non-payment by a borrower of one of these loans, we may be unable to collect the unpaid balance.

We offer unsecured personal loans and credit cards to the retail customer segment, including salaried individuals and self-employed professionals. In addition, we offer unsecured loans to small businesses and individual businessmen. Unsecured loans are a greater credit risk for us than our secured loan portfolio because they may not be supported by realizable collateral that could help ensure an adequate source of repayment for the loan. Although we normally obtain direct debit instructions or postdated checks from our customers for our unsecured loan products, we may be unable to collect in part or at all in the event of non-payment by a borrower. Further, any expansion in our unsecured loan portfolio could require us to increase our provision for credit losses, which would decrease our earnings. Also see "*Business—Retail Banking—Retail Loans and Other Asset Products*".

Our and our customers' exposure to fluctuations in foreign currency exchange rates could adversely affect our operating results.

Foreign currency exchange rates depend on various factors and can be volatile and difficult to predict. We enter into derivative contracts with our borrowers to manage their foreign currency exchange risk exposure. Volatility in these exchange rates may lead to losses in derivative transactions for our borrowers. On maturity or on premature termination of the derivative contracts and under certain circumstances, we may have to bear these losses. The use of derivative financial instruments may also generate obligations for us to make additional cash payments, which would negatively affect our liquidity. Any losses suffered by our customers as a result of fluctuations in foreign currency exchange rates may have a materially adverse effect on our business, financial position or results of operations.

We may not adequately assess, monitor and manage risks inherent in our business, and any failure to manage risks could adversely affect our business, financial position or results of operations.

We are exposed to a variety of risks, including liquidity risk, interest rate risk, credit risk, operational risk (including fraud) and legal risk (including actions taken by our own employees). The effectiveness of our risk management is limited by the quality and timeliness of available data and other factors outside of our control.

For example, our hedging strategies and other risk management techniques may not be fully effective in mitigating risks in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some methods of managing risks are based upon observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be greater than the historical measures indicated. Other risk management methods depend upon an evaluation of information regarding markets, customers or other matters. This information may not in all cases be accurate, complete, up-to-date or properly evaluated. As part of our ordinary decision making-process, we rely on various models for risk and data analysis. These models are based on historical data and supplemented with managerial input and comments. There are no assurances that these models and the data they analyze are accurate or adequate to guide our strategic and operational decisions and protect us from risks. Any deficiencies or inaccuracies in the models or the data might have a material adverse effect on our business, financial condition or results of operation.

Additionally, management of operational, legal or regulatory risk requires, among other things, policies and procedures to ensure certain prohibited actions are not taken and to properly record and verify a number of transactions and events. Although we believe we have established such policies and procedures, they may not be fully effective and we can not guarantee that our employees will follow these policies and procedures in all circumstances. Unexpected shortcomings in these policies and procedures or a failure to follow them may have a materially adverse effect on our business, financial position or results of operations.

Our future success will depend, in part, on our ability to respond to new technological advances and emerging banking and finance industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that we will successfully implement new technologies or adapt its transaction-processing systems to customer requirements or emerging market standards. Failure to properly monitor, assess and manage risks, could lead to losses which may have an adverse effect on our future business, financial position or results of operations.

In order to support and grow our business, we must maintain a minimum capital adequacy ratio, and a lack of access to the capital markets may prevent us from maintaining an adequate ratio.

As of March 31, 2018, the RBI requires a minimum capital adequacy ratio of 10.875% (including capital conservation buffer) of our total risk-weighted assets. We adopted the Basel III capital regulations effective April 1, 2013. Our capital adequacy ratio was 14.82% as of March 31, 2018. Our CET-I ratio was 12.25% as of March 31, 2018. Our ability to support and grow our business would be limited by a declining capital adequacy ratio. While we anticipate accessing the capital markets to offset declines in our capital adequacy ratio, we may be unable to access the markets at the appropriate time or the terms of any such financing may be unattractive due to various reasons attributable to changes in the general environment, including political, legal and economic conditions.

The Basel Committee on Banking Supervision issued a comprehensive reform package entitled "Basel III: A global regulatory framework for more resilient banks and banking systems" in December 2010. In May 2012, the RBI released guidelines on implementation of the Basel III capital regulations in India and in July 2015, the RBI issued a master circular consolidating all relevant guidelines on Basel III. The key items covered under these guidelines include: i) improving the quality, consistency and transparency of the capital base; ii) enhancing risk coverage; iii) grading the enhancement of the total capital requirement; iv) introducing a capital conservation buffer and countercyclical buffer; and v) supplementing the risk-based capital requirement with a leverage ratio. One of the major changes in the Basel III capital regulations is that the Tier I capital will predominantly consist of common equity of the banks, which includes common shares, reserves and stock surplus. Innovative instruments and perpetual non-cumulative preference shares will not be considered a part of CET-I capital. Basel III also defines criteria for instruments to be included in Tier II capital to improve their loss absorbency. The guidelines also set out criteria for loss absorption through the conversion or write-off of all non-common equity regulatory capital instruments at the point of non-viability. The point of non-viability is defined as a trigger event upon the occurrence of which non-common equity Tier I and Tier II instruments issued by banks in India may be required to be, at the option of the RBI, written off or converted into common equity. Additionally, the guidelines have set out criteria for loss absorption through the conversion or write-off of Additional Tier 1 capital instruments at a pre-specified trigger level. For Additional Tier 1 instruments issued before March 31, 2019, i.e., before the full implementation of Basel III there would be two pre-specified triggers. A lower pre-specified trigger at CET-I of 5.5% of risk weighted assets ("**RWAs**") will apply and remain effective before March 31, 2019; from this date the trigger will be raised at CET-I of 6.125% of RWAs for all such instruments. Additional Tier 1 instruments issued on or after March 31, 2019 will have only one pre-specified trigger at CET-I of 6.125% of RWAs. The capital requirement, including the capital conservation buffer, will be 11.5% once these guidelines are fully phased in. Domestic systemically important banks ("**D-SIB**") are required to maintain additional CET-I capital requirement ranging from 0.2% to 0.8% of risk weighted assets. We have been classified a D-SIB and we are required to maintain additional CET-I of 0.15% with effect from April 1, 2018 and will be required to maintain addition CET-I of 0.20% from April 1, 2019, respectively. See "*Supervision and Regulation—Domestic Systemically Important Banks*". Banks will also be required to have an additional capital requirement towards countercyclical capital buffer varying between 0% and 2.5% of the risk weighted assets as and when announced by the RBI. The transitional arrangements began from April 1, 2013 and the guidelines will be fully phased-in and implemented as of March 31, 2019. Additionally, the Basel III Liquidity Coverage Ratio ("**LCR**"), which is a measure of the Bank's high quality liquid assets compared to its anticipated cash outflows over a 30-day stressed period, began applying in a phased manner that started with a minimum requirement of 60% from January 1, 2015 and will reach a minimum of 100% on January 1, 2019. These various requirements including requirements to increase capital to meet increasing capital adequacy ratios could require us to forego certain business opportunities.

We believe that the demand for Basel III compliant debt instruments such as Tier II capital eligible securities may be limited in India. In the past, the RBI has reviewed and made amendments in its guidelines on Basel III capital regulations with a view to facilitating the issuance of non-equity regulatory capital instruments by banks under the Basel III framework. It is unclear what effect, if any, these amendments may have on the issuance of Basel III compliant securities or if there will be sufficient demand for such securities. It is also possible that the RBI could further amend the eligibility criteria of such instruments in the future if the objectives identified by the RBI are not met, which would create additional uncertainty regarding the market for Basel III compliant securities in India.

If we are unable to meet the new and revised requirements, including both requirements applicable to banks generally and requirements imposed on us as a D-SIB**,** our business, future financial performance and the price of our Equity Shares could be adversely affected.

We rely on third-parties, including service providers, overseas correspondent banks and other Indian banks, who may not perform their obligations satisfactorily or in compliance with law.

Our business leads us to rely on different types of third parties, which exposes us to risks. For example, we enter into outsourcing arrangements with third party vendors, in compliance with the RBI guidelines on outsourcing. These vendors provide services which include, among others, cash management services, software services, client sourcing, debt recovery services and call centre services. However, we cannot guarantee that there will be no disruptions in the provision of such services or that these third parties will adhere to their contractual obligations. Additionally, we also rely on our overseas correspondent banks to facilitate international transactions, and the Indian banking industry as a whole is inter-dependent in facilitating domestic transactions. There is no assurance that our overseas correspondent banks or our domestic banking partners will not fail or face financial problems (such as financial problems arising out of or in relation to frauds uncovered in early 2018 at one of India's public sector banks). If there is a disruption in the third-party services, or if the third-party service providers discontinue their service agreement with us, our business, financial condition and results of operations will be adversely affected. In case of any dispute with any of the foregoing parties, we cannot assure you that the terms of our arrangements with such parties will not be breached, which may result in costs such as litigation costs or the costs of entering into agreements with third parties in the same industry, and such costs may materially and adversely affect our business, financial condition and results of operations. We may also suffer from reputational and legal risks if one of these third-parties acts unethically or unlawfully, and if any bank in India, especially a private bank, or any of our key overseas correspondent banks were to fail, this could materially and adversely affect our business, financial condition, growth prospects or the price of our equity shares.

HDFC Limited holds a significant percentage of our share capital and can exercise influence over board decisions that could directly or indirectly favor the interests of HDFC Limited over our interests.

HDFC Limited and its subsidiaries ("**HDFC Group**") owned 20.86% of our equity as of June 30, 2018. See "Capitalization" and "Principal Shareholders". So long as HDFC Group holds at least a 20% equity stake in us, HDFC Limited is entitled to nominate two directors, our Chairperson and Managing Director, to our Board of Directors. These two directors are not required to retire by rotation and their appointments are subject to RBI approval. Shyamala Gopinath has been re-appointed as part-time Non-Executive Chairperson for three years with effect from January 2, 2018. Keki Mistry, the Vice Chairman and Chief Executive Officer of HDFC Limited is a member of our Board of Directors. While we are professionally managed and overseen by an independent board of directors, HDFC Limited can exercise influence over our board and over matters subject to a shareholder vote, which could result in decisions that favor HDFC Limited or result in us foregoing opportunities to the benefit of HDFC Limited. Such decisions may restrict our growth or harm our financial condition.

In the past, there have been reports in the Indian media suggesting that we may merge with financial institutions, including HDFC Limited. We consider business combination opportunities as they arise. At present, we are not actively considering a business combination with any financial institution. Any significant business combination would involve compliance with regulatory requirements and shareholder and regulatory approvals.

Additionally, on July 15, 2014, the RBI issued guidelines in relation to the issuance of long term bonds with a view to encouraging financing of infrastructure and affordable housing. Regulatory incentives in the form of an exemption from the reserve requirements and a relaxation in PSL norms are stipulated as being restricted to bonds that are used to incrementally finance long-term infrastructure projects and loans for affordable housing. Any incremental infrastructure or affordable housing loans acquired from other financial institutions, such as those that could be involved in a business combination with HDFC Limited, to be reckoned for regulatory incentives will require the prior approval of the RBI. We cannot predict the impact any potential business combination would have on our business, financial condition, growth prospects or the prices of our Equity Shares.

We may face conflicts of interest relating to our promoter and principal shareholder, HDFC Limited, which could cause us to forego business opportunities and consequently have an adverse effect on our financial performance.

HDFC Limited is primarily engaged in financial services, including home loans, property-related lending and deposit products. The subsidiaries and associated companies of HDFC Limited are also largely engaged in a range of financial services, including asset management, life and other insurance and mutual funds. Although we have no agreements with HDFC Limited or any other HDFC group companies that restrict us from offering products and services that are offered by them, our relationship with these companies may cause us not to offer products and services that are already offered by other HDFC group companies and may effectively prevent us from taking advantage of business opportunities. We currently distribute products of HDFC Limited and its group companies. If we stop distributing these products or forego other opportunities because of our relationship with HDFC Limited, it could have a material adverse effect on our financial performance.

HDFC Limited may prevent us from using the HDFC Bank brand if they reduce their shareholding in us to below 5%.

As part of a shareholder agreement executed when HDFC Bank was formed, HDFC Limited has the right to prevent us from using "HDFC" as part of our name or brand if HDFC Limited reduces its shareholding in HDFC Bank to an amount below 5% of our outstanding share capital. If HDFC Limited were to exercise this right, we would be required to change our name and brand, which could require us to expend significant resources to establish new branding and name recognition in the market as well as undertake efforts to rebrand our branches and our digital presence. This could have a material adverse effect on our financial performance.

RBI guidelines relating to ownership in private banks could discourage or prevent a change of control or other business combination involving us, such as with HDFC Limited, which could restrict the growth of our business and operations.

RBI guidelines prescribe a policy framework for the ownership and governance of private sector banks. Under the Banking Regulation Act, a shareholder presently cannot exercise voting rights in excess of 15% of the total voting rights, which ceiling on voting rights may be increased in a phased manner up to 26% by the RBI. In May 2016, the RBI issued the Reserve Bank of India (Ownership in Private Sector Banks) Directions, 2016. These guidelines prescribe requirements regarding shareholding and voting rights in relation to all private sector banks licensed by the RBI to operate in India. The guidelines specify the following ownership limits for shareholders based on their categorization:

(i) In the case of individuals and non-financial entities (other than promoters / a promoter group), 10% of the paid up capital. However, in the case of promoters being individuals and non-financial entities in existing banks, the permitted promoter / promoter group shareholding shall be as prescribed under the February 2013 guidelines, i.e., 15%.

(ii) In the case of entities from the financial sector, other than regulated or diversified or listed, 15% of the paid-up capital.

(iii) In the case of "regulated, well diversified, listed entities from the financial sector" shareholding by supranational institutions, public sector undertaking or Government, up to 40% of the paid-up capital is permitted for both promoters / a promoter group and non-promoters.

The RBI may permit increase of stake beyond the limits mentioned above on a case-to-case basis under circumstances such as relinquishment by existing promoters, rehabilitation, restructuring of problem, weak banks, entrenchment of existing promoters or in the interest of the bank or in the interest of consolidation in the banking sector.

Such restrictions could discourage or prevent a change in control, merger, consolidation, takeover or other business combination involving us, which might be beneficial to our shareholders. The RBI's approval is required for the acquisition or transfer of a bank's shares, which will increase the aggregate holding (direct and indirect, beneficial or otherwise) of an individual or a group to the equivalent of 5% or more of its total paid-up capital. The RBI, when considering whether to grant an approval, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fitness and propriety tests, as prescribed by the RBI. The RBI has accorded its approval for HDFC Limited to hold more than 10% of our stock. HDFC Limited's substantial stake in us could discourage or prevent another entity from exploring the possibility of a combination with us. These obstacles to potentially synergistic business combinations could negatively impact our share price and have a material adverse effect on our ability to compete effectively with other large banks and consequently our ability to maintain and improve our financial condition.

Additionally, under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "**SEBI Listing Regulations**"), all related party transactions will require approval from the audit committee. Further, all material related party transactions (based on the threshold provided under the SEBI Listing Regulations) will require shareholders' approval. Further, pursuant to the SEBI Listing Regulations a related party is unable to vote with regard to the approval of these transactions. For transactions with HDFC Limited shareholder approvals have been obtained for Fiscal Year 2018. However, if we are unable to obtain the necessary shareholder approvals for transactions with HDFC Limited in the future, we would be required to forego certain opportunities, which could have a material adverse effect on our financial performance.

Foreign investment in our shares may be restricted due to regulations governing aggregate foreign investment in the Bank's paid-up Equity Share capital.

Aggregate foreign investment in a private sector bank is permitted up to 49% of the paid-up capital under the automatic route. This limit can be increased to 74% of the paid-up capital with prior approval from the Government of India. Pursuant to a letter dated February 4, 2015 from the erstwhile Foreign Investment Promotion Board and letter dated June 25, 2018 from the the Department of Financial Services, Ministry of Finance, Government of India, the Bank has received approval for aggregate foreign investment in the Bank up to 74% of its paid up capital. If we are subject to any penalties or an unfavorable ruling by the RBI, this could have an adverse effect on our results of operation and financial condition. The RBI had previously imposed a restriction on the purchase of Equity Shares of the Bank by foreign investors, under its circular dated March 19, 2012. On February 16, 2017, the RBI lifted such restriction, since the foreign shareholding in the Bank was below the maximum prescribed percentage of 74%. Thereafter the RBI notified by press release on February 17, 2017 and by separate letter to us dated February 28, 2017 that the aggregate foreign shareholding in the Bank crossed the said limit of 74%. This was due to secondary market purchases of the Bank's Equity Shares during this period. Consequently, the RBI re-imposed the restrictions on the purchase of the Bank's Equity Shares by foreign investors. Further, SEBI has also enquired regarding the measures that the Bank has taken and will take in respect of breaches of the maximum prescribed percentage of foreign shareholding in the Bank, by its letter dated March 9, 2018. The Bank has accordingly filed its reply with SEBI and there has been no further communication from SEBI in that respect. As of March 31, 2018, aggregate foreign investment in the Bank, including the shareholdings of HDFC Limited and its subsidiaries, constituted 72.62% of the paid-up capital of the Bank. The restrictions on the purchases of the Bank's Equity Shares could negatively affect the price of our shares and could limit the ability of investors to trade our shares in the market. These limitations and any consequent regulatory actions may also negatively affect the Bank's ability to raise additional capital to meet its capital adequacy requirements or to fund future growth through future issuances of additional Equity Shares, which could have a material adverse effect on our business and financial results. See "*Supervision and Regulation—Foreign Ownership Restriction*".

The ADR Offering may not be successful. Any delay in or failure to complete the ADR Offering may harm the reputation of our Bank and may have a material adverse effect on the business and reputation of our Bank

Our Bank is undertaking the ADR Offering simultaneously with the Issue. We may be unable to complete the ADR Offering successfully due to, among others, foreign exchange restrictions under Indian law.

The maximum prescribed percentage of foreign shareholding in the Bank is 74% of its paid-up capital. There is a risk that due to secondary market purchases of the Bank's Equity Shares the aggregate foreign shareholding in the Bank may cross the 74% limit. See "*—Foreign investment in our shares may be restricted due to regulations governing aggregate foreign investment in the Bank's paid-up Equity Share capital*". Under FEMA 20 and other applicable Indian law, it is currently unclear whether we will be able to allot the Equity Shares underlying the ADRs offered in the ADR Offering, if the aggregate foreign shareholding in the Bank is above the 74% limit.

If the ADR Offering is withdrawn or if the closing of the ADR Offering is delayed for any reason, including the above, it may lead to volatility in the price of the Equity Shares and negatively impact investor sentiment. As a result, the value of your investment in the Equity Shares in the Issue may be materially and adversely affected. Any of these could also adversely affect the business and reputation of our Bank.

Our success depends in large part upon our management team and skilled personnel and our ability to attract and retain such persons.

We are highly dependent on our management team, including the efforts of our Chairperson, our Managing Director, our Deputy Managing Director, our Executive Director and members of our senior management. Our future performance is dependent on the continued service of these persons. We also face a continuing challenge to recruit and retain a sufficient number of skilled personnel, particularly if we continue to grow. Competition for management and other skilled personnel in our industry is intense, and we may not be able to attract and retain the personnel we need in the future. The loss of key personnel may restrict our ability to grow and consequently have a material adverse impact on our results of operations and financial position.

We have previously been subject to penalties imposed by the RBI. Any regulatory investigations, fines, sanctions, and requirements relating to conduct of business and financial crime could negatively affect our business and financial results, or cause serious reputational harm.

The RBI is empowered under the Banking Regulation Act to impose penalties on banks and their employees to enforce applicable regulatory requirements. In Fiscal Year 2014, the RBI imposed penalties on us and many other banks for certain irregularities and violations discovered by the RBI during its scrutiny conducted in the first half of 2013, namely, non-observance of certain safeguards in respect of arrangement of "at par" payment of checks drawn by cooperative banks, exceptions in the periodic review of risk profiling of account holders, non-adherence to KYC rules for walk-in customers (non-customers) including for the sale of third party products, the sale of gold coins for cash in excess of ₹ 50,000 in certain cases and the non-submission of proper information as required by the RBI. We paid a penalty of ₹ 45.0 million in June 2013. Further, in this regard, the Financial Intelligence Unit (India) (the "**FIU**"), in January 2015, levied a fine on us of ₹ 2.6 million relating to our failure to detect and report attempted suspicious transactions. We filed an appeal against the order before the appellate tribunal stating that there were only roving enquiries made by the reporters of the media and there were no instances of any attempted suspicious transactions. Pursuant to the directions of the appellate tribunal, we created a fixed deposit of ₹2.6 million in favor of the FIU. In June 2017, the appellate tribunal dismissed the penalty levied by the FIU and observed that the prescribed matter fell within the provisions of section 13(2)(a) of the PMLA, 2002 (pursuant to which a warning was required to be given to us), and that the matter did not fall within section 13(2)(d) of the Prevention of Money Laundering Act ("**PMLA**"), 2002 (pursuant to which monetary penalties can be imposed on failure to comply with certain obligations under the PMLA, 2002) as mentioned by the FIU. The appellate tribunal further ordered that the fixed deposit created by us as per the interim order of the appellate tribunal be released. In a letter dated September 8, 2017, we requested FIU's consent for liquidation of the ₹ 2.6 million fixed deposit receipt given the resolution of the case. FIU has responded to us on October 25, 2017, advising that it has challenged the appellate tribunal's order to release the fixed deposit receipt. They advised that the appeal, including application for stay, is to be listed before the Delhi High Court in due course and accordingly at this stage our request to liquidate the fixed deposit receipt is premature. The matter has now been listed for hearing on December 6, 2018 for further proceedings See "*Supervision and Regulation - Penalties*" on page 154.

Additionally, during Fiscal Year 2014, the RBI investigated a corporate borrower's loan and current accounts maintained with 12 Indian banks, including us. Based on its assessment, the RBI, in its press release dated July 25, 2014, levied penalties totaling ₹ 15 million on the 12 Indian banks. The penalty levied on us was ₹ 0.5 million on the grounds that we failed to exchange information about the conduct of the corporate borrower's account with other banks at intervals as prescribed in the RBI guidelines on "Lending under Consortium Arrangement/Multiple Banking Arrangements". In October 2015, there were media reports about irregularities in advance import remittances in various banks, further to which the RBI had conducted a scrutiny of the transactions carried out by us. In April 2016, the RBI issued a show cause notice to us to which we submitted our detailed response. After considering our submissions, the RBI imposed a penalty of ₹ 20.0 million on us in July 2016, which we paid, on account of pendency in receipt of bills of entry relating to advance import remittances made and lapses in adhering to KYC/Anti-Money Laundering ("**AML**") guidelines in this respect. See "*Supervision and Regulation—Penalties*". We cannot predict the initiation or outcome of any further investigations by other authorities or different investigations by the RBI. The penalties imposed by the RBI have generated adverse publicity for our business. Such adverse publicity, or any future scrutiny, investigation, inspection or audit which could result in fines, public reprimands, damage to our reputation, significant time and attention from our management, costs for investigations and remediation of affected customers, may materially adversely affect our business and financial results.

Transactions with counterparties in countries designated as state sponsors of terrorism by the U.S. State Department, the Government or other countries, or with persons targeted by U.S., Indian, EU or other economic sanctions may cause potential customers and investors to avoid doing business with us or investing in our securities, harm our reputation or result in regulatory action which could materially and adversely affect our business.

We engage in business with customers and counterparties from diverse backgrounds. In light of U.S., Indian, EU and other sanctions, it cannot be ruled out that some of our customers or counterparties are or may become the subject of sanctions. Such sanctions may result in our inability to gain or retain such customers or counterparties or receive payments from them. In addition, the association with such individuals or countries may damage our reputation or result in significant fines. This could have a material adverse effect on our business, financial results and the prices of our securities.

These laws, regulations and sanctions or similar legislative or regulatory developments may further limit our business operations. If we were determined to have engaged in activities targeted by certain U.S., Indian, EU or other statutes, regulations or executive orders, we could lose our ability to open or maintain correspondent or payable-through accounts with U.S. financial institutions, among other potential sanctions. In addition, depending on sociopolitical developments, even though we take measures designed to ensure compliance with applicable laws and regulations, our reputation may suffer due to our association with certain restricted targets. The above circumstances could have a material adverse effect on our business, financial results and the prices of our securities.

Material changes in Indian banking regulations may adversely affect our business and our future financial performance.

We operate in a highly regulated environment in which the RBI extensively supervises and regulates all banks. Our business could be directly affected by any changes in policies for banks in respect of directed lending, reserve requirements and other areas. For example, the RBI could change its methods of enforcing directed lending standards so as to require more lending to certain sectors, which could require us to change certain aspects of our business. In addition, we could be subject to other changes in laws and regulations, such as those affecting the extent to which we can engage in specific business, those that reduce our income through a cap on either fees or interest rates chargeable to our customers, or those affecting foreign investment in the banking industry, as well as changes in other Government policies and enforcement decisions, income tax laws, foreign investment laws and accounting principles. Laws and regulations governing the banking sector may change in the future and any changes may adversely affect our business, our future financial performance and the price of our Equity Shares.

Our funding is primarily short- and medium-term and if depositors do not roll over deposited funds upon maturity our net profits may decrease.

Most of our funding requirements are met through short-term and medium-term funding sources, primarily in the form of retail deposits. Short-term deposits are those with a maturity not exceeding one year. Medium-term deposits are those with a maturity of greater than one year but not exceeding three years. See "*Selected Statistical Information—Funding*". However, a portion of our assets have long-term maturities, which sometimes causes funding mismatches. As of March 31, 2018, 34.5% of our loans are expected to mature within the next one year and 47.0% of our loans are expected to mature between the next one to three years. As of March 31, 2018, 42.2% of our deposits are expected to mature within the next year and 39.3% of our deposits are expected to mature between the next one to three years. In our experience, a substantial portion of our customer deposits has been rolled over upon maturity and has been, over time, a stable source of funding. However, if a substantial number of our depositors do not roll over deposited funds upon maturity, our liquidity position will be adversely affected and we may be required to seek more expensive sources of funding to finance our operations, which would result in a decline in our net profits and have a material adverse effect on our financial condition. We may also face a concentration of deposits by our larger depositors. Any sudden or large withdrawals by such large depositors may impact our liquidity position.

Any increase in interest rates would have an adverse effect on the value of our fixed income securities portfolio and could have a material adverse effect on our net profits.

Any increase in interest rates would have an adverse effect on the value of our fixed income securities portfolio and could have a material adverse effect on our net profits. Policy rates were successively increased from February 2010 to March 2012 during which period the bout of interest rate tightening in India was faster than in many other economies. The RBI raised key policy rates from 5.25% (repo rate) in April 2010 to 8.5% in October 2011. However, key policy rates were eased from 8.0% (repo rate) in April 2012 to 7.25% in May 2013. In July 2013, the RBI increased the rate for borrowings under its marginal standing facility (which was introduced by the RBI in Fiscal Year 2012) from 100 basis points to 300 basis points above the repo rate. This rate was eased from 200 basis points above the repo rate in September 2013 to 100 basis points above repo rate in October 2013. In contrast, the policy rates were tightened from 7.5% (repo rate) in September 2013 to 8.0% in January 2014. The RBI reduced the policy repo rate again to 7.75% in January 2015, further reducing it to 7.5% in March 2015, 7.25% in June 2015, 6.75% in September 2015, 6.5% in April 2016, 6.25% in October 2016, and 6.00% in August 2017, before increasing it to 6.25% in June 2018. We are, however, more structurally exposed to interest rate risk than banks in many other countries because of certain mandated reserve requirements of the RBI. See "*Supervision and Regulation—Legal Reserve Requirements*". These requirements result in Indian banks, such as ourselves, maintaining (as per RBI guidelines currently in force) a portion of our liabilities in bonds issued by the Government of India (currently 19.5% as of April 2018, computed as per guidelines issued by the RBI). We are also required to maintain 4% of our liabilities (computed as per guidelines issued by the RBI) by way of a balance with the RBI. This, in turn, means that we could be adversely impacted by a rise in interest rates, especially if the rise were sudden or sharp. A rise in yields on fixed income securities, including Government securities, will likely adversely impact our profitability. The aforementioned requirements would also have a negative impact on our net interest income and net interest margins since interest earned on our investments in Government-issued securities is generally lower than that earned on our other interest earning assets.

Further competition and the development of advanced payment systems by our competitors would adversely impact our cash float and decrease fees we receive in connection with cash management services.

The Indian market for cash management services ("**CMS**") is marked by some distinctive characteristics and challenges such as a vast geography, a large number of small business-intensive towns, a large unorganised sector in various business supply chains, and infrastructural limitations for accessibility to many parts of the country. Over the years, such challenges have made it a daunting task for CMS providers in the country to uncover the business potential and extend suitable services and product solutions to the business community.

We have been able to retain and increase our share of business in cash management services through traditional product offerings as well as by offering new age electronic banking services. With new entrants in the payment space such as new payment banks now being granted licenses to conduct business and certain financial technology companies, the competition in the payments landscape is likely to increase. Any increased competition within the payment space, any introduction of a more advanced payment system in India, or an inability for us to sustain our technology investments, may have a material adverse effect on our financial condition.

We could experience a decline in our revenue generated from activities on the equity markets if there is a prolonged or significant downturn on the Indian stock exchanges, and we may face difficulties in getting regulatory approvals necessary to conduct our business if we fail to meet regulatory limits on capital market exposures.

We provide a variety of services and products to participants involved with the Indian stock exchanges. These include working capital funding and margin guarantees to share brokers, personal loans secured by shares, initial public offering finance for retail customers, stock exchange clearing services, collecting bankers to various public offerings and depositary accounts. If there is a prolonged or significant downturn on the Indian stock exchanges, our revenue generated by offering these products and services may decrease, which would have a material adverse effect on our financial condition.

We are required to maintain our capital market exposures within the limits as prescribed by the RBI. Our capital market exposures are comprised primarily of investments in equity shares, loans to share brokers and financial guarantees issued to stock exchanges on behalf of share brokers.

As per RBI norms, a bank's capital market exposure is limited to 40% of its net worth under Indian GAAP as on March 31 of the previous year, both on a consolidated and non-consolidated basis. Our capital market exposure as of March 31, 2018 was 22.8% of our net worth on a non-consolidated basis and 24.0% on a consolidated basis, in each case, under Indian GAAP. See "*Supervision and Regulation—Exposure Norms*". If we fail to meet these regulatory limits in the future, we may face difficulties in obtaining other regulatory approvals necessary to conduct our normal course of business, which would have a material adverse effect on our business and operations.

Any failure or material weakness of our internal control system could cause significant errors, which may have a materially adverse effect on our reputation, business, financial position or results of operations.

We are responsible for establishing and maintaining adequate internal measures commensurate with our size and complexity of operations. Our internal or concurrent audit functions are equipped to make an independent and objective evaluation of the adequacy and effectiveness of internal controls on an ongoing basis to ensure that business units adhere to our policies, compliance requirements and internal circular guidelines. While we periodically test and update, as necessary, our internal control systems, we are exposed to operational risks arising from the potential inadequacy or failure of internal processes or systems, and our actions may not be sufficient to guarantee effective internal controls in all circumstances. Given our high volume of transactions, it is possible that errors may repeat or compound before they are discovered and rectified. Our systems and internal control procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or every suspicious transaction. If internal control weaknesses are identified, our actions may not be sufficient to fully correct such internal control weakness. We face operational risks in our various businesses and there may be losses due to deal errors, settlement problems, pricing errors, inaccurate reporting, breaches of confidentiality, fraud and failure of mission critical systems or infrastructure. Any error, tampering or manipulation could result in losses that may be difficult to detect. As a result, we may come under additional regulatory scrutiny or be the target of enforcement actions, or suffer monetary losses or adverse reputation effects which, in each case, could be material, and could have a material adverse effect on our business, financial position or results of operation.

For example, certain unpublished price sensitive information ("**UPSI**") relating to our financial results for the three months ended December 31, 2015 and the three months ended June 30, 2017 was leaked through the

WhatsApp mobile application ahead of the official publication of such results. Following this leak, we received an order from SEBI on February 23, 2018 directing us, among others, to (i) submit a report on our current systems and controls relating to the protection of UPSI and how such systems and controls have been strengthened since the aforementioned leak and (ii) conduct an internal inquiry into the leakage of UPSI relating to our financial results and submit a report in relation thereto. In accordance with the SEBI order, we filed both reports with SEBI on May 30, 2018. Any additional action by SEBI in connection with its investigation and our respective reports could subject us to further scrutiny or enforcement actions and have a material adverse effect on our reputation, business, financial position or results of operation.

Significant fraud, system failure or calamities would disrupt our revenue generating activities in the short-term and could harm our reputation and adversely impact our revenue-generating capabilities.

Our business is highly dependent on our ability to efficiently and reliably process a high volume of transactions across numerous locations and delivery channels. We place heavy reliance on our technology infrastructure for processing this data and therefore ensuring the security of this system and its availability is of paramount importance. Our systemic and operational controls may not be adequate to prevent any adverse impact from frauds, errors, hacking and system failures. A significant system breakdown or system failure caused by intentional or unintentional acts would have an adverse impact on our revenue-generating activities and lead to financial loss. Our reputation could be adversely affected by fraud committed by employees, customers or outsiders, or by our perceived inability to properly manage fraud-related risks. Our inability or perceived inability to manage these risks could lead to enhanced regulatory oversight and scrutiny. Fraud or system failures by other Indian banking institutions (such as frauds uncovered in early 2018 at one of India's public sector banks) could also adversely affect our reputation and revenue-generating activity by reflecting negatively on our industry more generally, and in certain circumstances we could be required to absorb losses arising from intentional or unintentional acts by third party institutions. We have established a geographically remote disaster recovery site to support critical applications, and we believe that we would be able to restore data and resume processing in the event of a significant system breakdown or failure. However, it is possible the disaster recovery site may also fail or it may take considerable time to make the system fully operational and achieve complete business resumption using the alternate site. Therefore, in such a scenario where the primary site is also completely unavailable, there may be significant disruption to our operations, which would materially adversely affect our reputation and financial condition.

Our business and financial results could be impacted materially by adverse results in legal proceedings.

Legal proceedings, including lawsuits, investigations by regulatory authorities and other inspections or audits, could result in judgments, fines, public reprimands, damage to our reputation, significant time and attention from our management, costs for investigations and remediation of affected customers, or other adverse effects on our business and financial results. We establish reserves for legal claims when payments associated with claims become probable and the costs can be reasonably estimated. We may still incur legal costs for a matter even if we have not established a reserve. In addition, the actual cost of resolving a legal claim may be substantially higher than any amounts reserved for that matter. The ultimate resolution of any pending or future legal proceeding, depending on the remedy sought and granted, could materially adversely affect our results of operations and financial condition. See "*Legal Proceedings*".

We may breach third party intellectual property rights.

We may be subject to claims by third parties, both inside and outside India, if we breach their intellectual property rights by using slogans, names, designs, software or other such rights, which are of a similar nature to the intellectual property these third parties may have registered. Any legal proceedings which result in a finding that we have breached third parties' intellectual property rights, or any settlements concerning such claims, may require us to provide financial compensation to such third parties or make changes to our marketing strategies or to the brand names of our products, which may have a materially adverse effect on our business prospects, reputation, results of operations and financial condition.

Negative publicity could damage our reputation and adversely impact our business and financial results.

Reputational risk, or the risk to our business, earnings and capital from negative publicity, is inherent in our business. The reputation of the financial services industry in general has been closely monitored as a result of the financial crisis and other matters affecting the financial services industry. Negative public opinion about the financial services industry generally or us specifically could adversely affect our ability to attract and retain customers, and may expose us to litigation and regulatory action. Negative publicity can result from our actual or alleged conduct in any number of activities, including lending practices, mortgage servicing and foreclosure practices, corporate governance, regulatory compliance, mergers and acquisitions and related disclosure, sharing or inadequate protection of customer information, and actions taken by Government regulators and community organizations in response to that conduct. Although we take steps to minimize reputational risk in dealing with customers and other constituencies, we, as a large financial services organization with a high industry profile, are inherently exposed to this risk.

We face cyber threats, such as hacking, phishing and trojans, attempting to exploit our network to disrupt services to customers and/or theft or leaking of sensitive internal Bank data or customer information. This may cause damage to our reputation and adversely impact our business and financial results.

We offer internet banking services to our customers. Our internet banking channel includes multiple services such as electronic funds transfer, bill payment services, usage of credit cards on-line, requesting account statements, and requesting check books. We are therefore exposed to various cyber threats related to these services or to other sensitive Bank information, with such threats including: a) phishing and trojans targeting our customers, whereby fraudsters send unsolicited mails to our customers seeking account-sensitive information or infecting customer computers in an attempt to search and export account-sensitive information; b) hacking, whereby attackers seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services; c) data theft whereby cyber criminals attempt to intrude into our network with the intention of stealing our data or information or to extort money; and d) leaking, whereby sensitive internal Bank data or customer information is inappropriately disclosed by parties entitled to access it (see in particular "*Legal Proceedings – Recent SEBI action*"). Attempted cyber threats fluctuate in frequency but are generally increasing in frequency, and while certain of the foregoing events have occurred in the past, we cannot guarantee they will not reoccur in the future. As the sophistication of cyber incidents continues to evolve, we will likely be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerability to cyber incidents. In addition, certain cyber incidents, such as surveillance, may remain undetected for an extended period. There is also the risk of our customers incorrectly blaming us and terminating their accounts with us for a cyber-incident which might have occurred on their own system or with that of an unrelated third party. Any cyber security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability.

A failure, inadequacy or security breach in our information technology and telecommunication systems may adversely affect our business, results of operation or financial condition.

Our ability to operate and remain competitive depends in part on our ability to maintain and upgrade our information technology systems and infrastructure on a timely and cost-effective basis, including our ability to process a large number of transactions on a daily basis. Our operations also rely on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. Our financial, accounting or other data processing systems and management information systems or our corporate website may fail to operate adequately or become disabled as a result of events that may be beyond our control or may be vulnerable to unauthorised access, computer viruses or other attacks. See "*—We face cyber threats, such as hacking, phishing and trojans, attempting to exploit our network to disrupt services to customers and/or theft of sensitive internal Bank data or customer information. This may cause damage to our reputation and adversely impact our business and financial results*". Further, the information available to and received by our management through its existing systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in our operations. If any of these systems are disabled or if there are other shortcomings or failures in our internal processes or systems, it may disrupt our business or impact our operational efficiencies, and render us liable to regulatory intervention or damage to its reputation. The occurrence of any such events may adversely affect our business, results of operation and financial condition.

Our business is highly competitive, which makes it challenging for us to offer competitive prices to retain existing customers and solicit new business, and our strategy depends on our ability to compete effectively.

We face strong competition in all areas of our business, and some of our competitors are larger than we are. We compete directly with large public and private sector banks, some of which are larger than we are based on certain metrics such as customer assets and deposits, branch network and capital. These banks are becoming more competitive as they improve their customer services and technology. In addition, we compete directly with foreign banks, which include some of the largest multinational financial companies in the world. See "*—We may face increased competition as a result of revised guidelines that relax restrictions on foreign ownership and participation in the Indian banking industry, and the entry of new banks in the private sector which could cause* *us to lose existing business or be unable to compete effectively for new business.*". In addition, new entrants into the financial services industry, including companies in the financial technology ("**Fintech**") sector, may further intensify competition in the business environments, especially in the digital business environment, in which we operate, and as a result, we may be forced to adapt our business to compete more effectively. There can be no assurance that we will be able to respond effectively to current or future competition or that the technological investments we make in response to such competition will be successful. Due to competitive pressures, we may be unable to successfully execute our growth strategy and offer products and services (whether current or new offerings) at reasonable returns and this may adversely impact our business. If we are unable to retain and attract new customers, our revenue and net profits will decline, which could materially adversely affect our financial condition. See "*Business—Competition*".

We may face increased competition as a result of revised guidelines that relax restrictions on foreign ownership and participation in the Indian banking industry, and the entry of new banks in the private sector which could cause us to lose existing business or be unable to compete effectively for new business.

The Government of India regulates foreign ownership in private sector banks. Foreign ownership up to 49% of the paid-up capital is permitted in Indian private sector banks under the automatic route and this limit can be increased up to 74% with prior approval of the Government of India. However, under the Banking Regulation Act, read together with the Reserve Bank of India (Ownership in Private Sector Banks) Directions, 2016, a shareholder cannot exercise voting rights in excess of 15% of the total voting rights. The ceiling on voting rights may be increased in a phased manner up to 26% by the RBI. The RBI has also from time to time issued various circulars and regulations regarding ownership of private banks and licensing of new private sector banks in India. Reduced restrictions on foreign ownership of Indian banks could increase the presence of foreign banks in India, increased competition in the industry in which we operate.

In February 2013, the RBI released guidelines for the licensing of new banks in the private sector. The RBI permitted private sector entities owned and controlled by Indian residents and entities in the public sector in India to apply to the RBI for a license to operate a bank through a wholly-owned non-operative financial holding company ("**NOFHC**") route, subject to compliance with certain specified criteria. Such a NOFHC was permitted to be the holding company of the bank as well as any other financial services entity, with the objective that the holding company ring-fences the regulated financial services entities in the group, including the Bank, from other activities of the group. Pursuant to these guidelines, in Fiscal Year 2016 IDFC Bank and Bandhan Bank commenced banking operations.

In November 2014, the RBI released guidelines for the licensing of payments banks and small finance banks in the private sector. Since promulgation, such banks have been established and operational pursuant to these guidelines, which have increased competition in the markets in which we operate.

In August 2016, the RBI released final guidelines for "on-tap" Licensing of Universal Banks in the Private Sector. The guidelines aim at moving from the current "stop and go" licensing approach (wherein the RBI notifies the licensing window during which a private entity may apply for a banking license) to a continuous or "on-tap" licensing regime. Among other things, the new guidelines specify conditions for the eligibility of promoters, corporate structure and foreign shareholdings. One of the key features of the new guidelines is that, unlike the February 2013 guidelines (mentioned above), the new guidelines make the NOFHC structure non-mandatory in the case of promoters being individuals or standalone promoting/converting entities which do not have other group entities.

In May 2016, the RBI issued the Reserve Bank of India (Ownership in Private Sector Banks) Directions, 2016. These guidelines prescribe requirements regarding shareholding and voting rights in relation to all private sector banks licensed by the RBI to operate in India. See "*Supervision and Regulation—Ownership Restrictions*".

Any growth in the presence of foreign banks or new banks in the private sector may increase the competition that we face and, as a result, have a material adverse effect on our business and financial results.

Many of our branches have been recently added to our branch network and are not operating with the same efficiency as compared to the rest of our existing branches, which adversely affects our profitability.

As at March 31, 2013, we had 3,062 branches and as at March 31, 2018, we had 4,787 branches, a significant increase in the number of branches. Some of the newly added branches are currently operating at a lower efficiency level as compared with our established branches. While we believe that the newly added branches will achieve the productivity benchmark set for our entire network over time, the success in achieving our benchmark level of efficiency and productivity will depend on various internal and external factors, some of which are not under our control. The sub-optimal performance of the newly added branches, if continued over an extended period of time, would have a material adverse effect on our profitability.

Deficiencies in accuracy and completeness of information about customers and counterparties may adversely impact us.

We rely on accuracy and completeness of information about customers and counterparties while carrying out transactions with them or on their behalf. We may also rely on representations as to the accuracy and completeness of such information. For example, we may rely on reports of independent auditors with respect to financial statements, and decide to extend credit based on the assumption that the customer's audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. Our financial condition and results of operations could be negatively impacted by reliance on information that is inaccurate or materially misleading. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. As a result, our ability to effectively manage our credit risk may be adversely affected.

Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and IFRS, which investors may be more familiar with and may consider material to their assessment of our financial condition.

As stated in the reports of our Auditors and erstwhile statutory auditors included in this Preliminary Placement Document, our results are prepared in accordance with Regulation 33 of the SEBI Listing Regulations and our financial statements are prepared and presented in conformity with Indian GAAP, respectively. No attempt has been made to reconcile any of the information given in this Preliminary Placement Document to any other principles or to base it on any other standards. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles with which prospective investors may be familiar in other countries. If our financial statements were to be prepared in accordance with such other accounting principles, our results of operations, cash flows and financial position may be substantially different. Prospective investors should review the accounting policies applied in the preparation of our financial statements, and consult their own professional advisers for an understanding of the differences between these accounting principles and those with which they may be more familiar.

We present our financial information differently in other markets or in certain reporting contexts.

In the United States, American Depositary Receipts ("**ADRs**") representing a certain number of our Equity Shares are traded on the New York Stock Exchange ("**NYSE**"). Under the United States securities laws and NYSE rules, we are required to report our financial results in U.S. GAAP. Because of the difference in accounting principles and presentation, certain financial information available in our required filings in the United States may be presented differently than in the financial information we provide under Indian GAAP or as it is presented in this Preliminary Placement Document.

Additionally, we make available information on our website and in our presentations in order to provide investors a view of our business through metrics similar to what our management uses to measure our performance. Some of the information we make available from time to time may be in relation to our unconsolidated or our consolidated results under Indian GAAP or under U.S. GAAP. Potential investors should read any notes or disclaimers to such financial information when evaluating our performance to confirm how the information is being presented, since the information that may have been prepared with a different presentation may not be directly comparable.

Scheduled commercial banks in India, including us, insurers / insurance companies and non-banking financial companies, will be required to prepare financial statements under Indian Accounting Standards, as per the implementation roadmap drawn up by the Ministry of Corporate Affairs.

Our financial statements are prepared and presented in accordance with Generally Accepted Accounting Principles in India, statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the RBI form time to time, accounting standards specified under Section 133 of the Companies Act, 2013 in so far as they apply to banks and current practices prevailing within the banking industry in India. The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for the implementation of Indian Accounting Standards ("**IND-AS**") converged with International

Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**") with certain carve-outs for scheduled commercial banks, insurance companies and non-banking financial companies (the "**2016 Roadmap**"). The 2016 Roadmap required such institutions to prepare IND-AS-based financial statements for accounting periods commencing on or after April 1, 2018, and to prepare comparative financial information for accounting periods commencing on or after April 1, 2017. The RBI, in its circular dated February 11, 2016, required all scheduled commercial banks to comply with IND-AS for financial statements for the same periods stated above. The RBI does not permit banks to adopt IND-AS earlier than these timelines. Recently, in April 2018, the RBI deferred the effective date for implementation of IND-AS by one year at which point the necessary legislative amendments are expected to have been completed. Earlier, in June 2017, the Insurance Regulatory and Development Authority of India ("**IRDA**") deferred the effective date for implementation of IND-AS accounting model in the insurance sector by two years.

In conjunction with the implementation of IND-AS for our local Indian results, we may adopt IFRS for the purposes of our filings pursuant to Section 13 or 15(d) of, and our reports pursuant to Rule 13a-16 or 15d-16 under, the Exchange Act. Should we choose to do so, our first year of reporting in accordance with IFRS would be for the accounting period commencing on April 1, 2019 and, as such, we would be permitted to file two years, rather than three years, of statements of income, changes in shareholders' equity and cash flows prepared in accordance with IFRS.

The new accounting standards are expected to change, among other things, our methodologies for estimating allowances for probable loan losses and classifying and valuing our investment portfolio, as well as our revenue recognition policy. It is possible that our financial condition, results of operations and changes in shareholders' equity may appear materially different under IND-AS than under Indian GAAP. Further, during the transition to reporting under the new standards, we may encounter difficulties in the ongoing implementation of the new standards and development of our management information systems. Given the increased competition for the small number of IFRS-experienced accounting personnel in India, it may be difficult for us to employ the appropriate accounting personnel to assist us in preparing IND-AS financial statements. Moreover, there is no significant body of established practice from which we may draw when forming judgments regarding the application of the new accounting standards. There can be no assurance that our controls and procedures will be effective in these circumstances or that a material weakness in internal control over financial reporting will not occur. Further, failure to successfully adopt IND-AS could adversely affect our business, financial condition and results of operations.

Statistical, industry and financial data in this Preliminary Placement Document may be incomplete or unreliable.

We have not independently verified data obtained from industry publications and other sources referred to in this Preliminary Placement Document and therefore, while we believe them to be true, we cannot assure you that they are complete or reliable. Such data may also be produced on different bases from those used in the industry publications we have referenced. Therefore, discussions of matters relating to India, its economy and the industries in which we currently operate are subject to the caveat that the statistical and other data upon which such discussions are based may be incomplete or unreliable. See "*Industry Overview*".

Risks Relating to India

Financial instability in other countries may cause increased volatility in the Indian financial market.

The Indian market and the Indian economy are influenced by the economic and market conditions in other countries, particularly the emerging market countries in Asia. Financial turmoil in Asia, Russia and elsewhere in the world in recent years has affected the Indian economy. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other markets may cause increased volatility in the Indian financial market and, more generally, in the Indian economy. Any financial instability or disruptions could also have a negative impact on the Indian economy and could harm our business, its future financial performance and the prices of our Equity Shares.

The global credit and equity markets have experienced substantial dislocations, liquidity disruptions and market corrections in recent years. In particular, sub-prime mortgage loans in the United States have experienced increased rates of delinquency, foreclosure and loss. The recent history of financial crises which have affected both emerging and developed economies has given rise to heightened liquidity and credit concerns and caused an increase in volatility in the global credit and financial markets. Developments in the Eurozone have further exacerbated concerns relating to liquidity and volatility in global capital markets.

Developments in the Eurozone during the past couple of years have exacerbated the ongoing global economic crisis. Large budget deficits and rising public debts have triggered sovereign debt crisis in multiple European countries that resulted in the bailout of certain economies and increased the risk of Government debt defaults, forcing Governments to undertake aggressive budget cuts and austerity measures. On the back of this crisis, the U.K. voted to leave the European Union in 2016, prompting a plunge in the pound sterling and a credit rating downgrade. The outcome of the U.K. referendum created fear of potential further exits from the European Economic and Monetary Union. While some of these apprehensions have been alleviated by favorable outcomes of subsequent Dutch and French elections, election results in Germany and Italy (where anti-EU parties gained support) and the rise of separatists in Catalonia in Spain show that these fears still persist. Moreover, the terms of the U.K.'s exit from the European Union are in the process of being negotiated and this uncertainty regarding the future of the relationship between the U.K. and the European Union could keep financial markets on edge. In addition, the sovereign ratings of various European Union countries have been downgraded since 2012. Financial markets and the supply of credit could continue to be negatively impacted by ongoing concerns surrounding the sovereign debts and fiscal deficits of European countries, the possibility of further downgrades of, or defaults on, sovereign debt, concerns regarding a slowdown in growth in certain economies, as well as uncertainties regarding the stability and overall standing of the European Monetary Union. These and other related events have had a significant impact on the global credit and financial markets as a whole, including reduced liquidity, greater volatility, the widening of credit spreads and a lack of price transparency.

In response to such developments, legislators and financial regulators in the United States, Europe and other jurisdictions, including India, have implemented several policy measures designed to add stability to the financial markets. However, the overall impact of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilizing effects. In the event that the current adverse conditions in the global credit markets continue or if there is any significant financial disruption, this could cause increased volatility in the Indian financial market and have an adverse effect on our business, future financial performance and the trading price of our Equity Shares.

Any adverse change in India's credit rating, or the credit rating of any country in which our foreign branches are located, by an international rating agency could adversely affect our business and profitability.

The Bank is rated BBB- by Standard & Poor's ("**S&P**"), and Baa2 by Moody's, two international rating agencies. In the case of the international rating agencies, the ratings of all Indian banks are capped at the sovereign rating (that is, BBB- by S&P and Baa2 by Moody's). In India, we are rated AAA by CRISIL, CARE and India Ratings (the Indian arm of Fitch Ratings), which are the highest credit ratings assigned on the domestic scale.

There is a risk that our ratings may be downgraded when the rating agencies revise their outlook on India's sovereign rating or when there is a significant deterioration in our existing financial strength and business position. Our rating may also be revised when the rating agencies undertake changes to their rating methodologies. For instance, in April 2015, Moody's revised its bank rating methodology and the assessment of Government support to banks, following which the ratings of several banks globally, including Indian banks, were revised. Following this methodology change, the Bank's rating was revised to Baa3 from Baa2 so as to cap it at the Indian sovereign rating.

In addition, the rating of our foreign branches may be impacted by the sovereign rating of the country in which those branches are located, particularly if the sovereign rating is below India's rating. Pursuant to applicable ratings criteria published by S&P, the rating of any bond issued in a jurisdiction is capped by the host country rating. Accordingly, any revision to the sovereign rating of the countries in which our branches are located to below India's rating could impact the rating of our foreign branches and any securities issued from those branches. For example, in Fiscal Year 2016, declining oil prices caused the credit ratings of many oil exporting countries to be downgraded and we had outstanding bonds issued from a branch in such a country which were negatively affected by such downgrade.

Going forward, the sovereign ratings outlook for India will remain dependent on the growth of the economy and the inflation environment, as well as exercise of adequate fiscal restraint by the Government. Any adverse change in India's credit rating, or the credit rating of any country in which our foreign branches are located, by international rating agencies may adversely impact our business financial position and liquidity, limit our access to capital markets, and increase our cost of borrowing.

If there is any change in tax laws or regulations, or their interpretation, such changes may significantly affect our financial statements for the current and future years, which may have a material adverse effect on our financial position, business and results of operations.

Any change in Indian tax laws, including the upward revision to the currently applicable normal corporate tax rate of 30% along with applicable surcharge and cess, could affect our tax burden. Other benefits such as exemption for income earned by way of dividend from investments in other domestic companies and units of mutual funds, exemption for interest received in respect of tax-free bonds and long-term capital gains on equity shares, if withdrawn by the statute in the future, may no longer be available to us. Any adverse order passed by the appellate authorities/tribunals/courts would have an impact on our profitability.

For instance, as of July 1, 2017, GST in India replaced taxes levied by central and state governments with a unified tax regime in respect of certain goods and services for all of India. However, given the recent introduction of the GST in India, there is no established practice regarding the implementation of, and compliance with, GST. Our business and financial performance could be adversely affected by any unexpected or onerous requirements or regulations resulting from the introduction of GST or any changes in laws or interpretation of existing laws, or the promulgation of new laws, rules and regulations relating to GST, as it is implemented.

Further, as GST is implemented, there can be no assurance that we will not be required to comply with additional procedures and/or obtain additional approvals and licenses from the government and other regulatory bodies or that they will not impose onerous requirements and conditions on our operations. Any such changes and the related uncertainties with respect to the implementation of GST may have a material adverse effect on our business, financial condition and results of operations.

The Government has enacted the GAAR which have come into effect from April 1, 2017. The tax consequences of the GAAR provisions being applied to an arrangement could result in denial of tax benefit amongst other consequences. In the absence of any precedents on the subject, the application of these provisions is uncertain. If the GAAR provisions are made applicable to our Company, it may have an adverse tax impact on us.

The Finance Bill, 2018, which was earlier approved by the Parliament has been enacted and came into effect from April 1, 2018. The exemption previously granted in respect of payment of long term capital gains tax was withdrawn and such tax became payable by the investors from April 1, 2018, although existing investors are eligible for relief on an exempt amount of capital gains through January 31, 2018 and the long term capital gains made after January 31, 2018 will be taxed. We cannot predict whether any tax laws or regulations impacting our products will be enacted, what the nature and impact of the specific terms of any such laws or regulations will be or whether, if at all, any laws or regulations would have a material adverse effect on our business, financial condition and results of operations.

Any volatility in the exchange rate may lead to a decline in India's foreign exchange reserves and may affect liquidity and interest rates in the Indian economy, which could adversely impact us.

Capital flows picked up substantially during Fiscal Year 2017, reflecting a reassessment of investor expectations about future domestic growth prospects following the election of a pro-reform Government in 2014. While the Current Account Deficit ("**CAD**") remained a main area of concern over Fiscal Year 2012 and Fiscal Year 2013, it shrunk sharply in Fiscal Year 2014 to 1.7% of GDP, and fell further in Fiscal Year 2017 to 0.7% of GDP, respectively. A sharp contraction in the oil imports bill on the back of a near 50% decline in global crude prices was the main reason behind the improvement in the current account position. However, with the recent rise in oil prices, we expect CAD to have been approximately 1.8% in Fiscal Year 2018.

During Fiscal Year 2014, the rupee came under immense and sustained selling pressure driven by growing anxiety about domestic growth prospects and global risk aversion. As a result, the rupee depreciated in Fiscal Year 2014 by 10.1% against the U.S. dollar. However, investors' expectations that reforms implemented by India's Government will lead to an improvement in the long-term growth outlook helped to improve the rupee's performance, reducing the depreciation trend to 3.85% in Fiscal Year 2015. During Fiscal Year 2016 the rupee depreciated by 6.32% primarily reflecting global risk aversion and a strong U.S. dollar. However, in line with other emerging markets, which experienced currency appreciation in Fiscal Year 2017, the Indian rupee also appreciated by 2.1% against the U.S. dollar. This was mainly attributed to repricing of the Indian assets by international investors (driven by domestic economic and political stability) alongside the disappointment relating to the U.S. reform agenda. In fiscal 2018, the rupee ranged between a high of ₹ 65.71 per US$1.00 and a low of ₹ 63.38 per US$1.00. Pressure developed in the last two quarters of fiscal 2018 as oil prices rose and trade war risks escalated globallyHowever in the first quarter of Fiscal Year 2019, the rupee depreciated by 5.1% against the U.S. dollar. Going forward, the Indian rupee may be impacted by factors such as: (a) the tightening in U.S. monetary policy, (b) the rise in protectionist voices across the world (c) uncertainty surrounding the United Kingdom's exit from the European Union, (d) the slower pace of growth in China, (e) the revival of the domestic economy and f) rise in oil prices.

Further, global risk aversion could mean a continuation of the rotation of global fund flows from emerging markets to U.S. markets over the medium term. The Indian rupee may be more vulnerable than other emerging market currencies on the back of a deterioration in the CAD and an increase in inflation rates in the second half of Fiscal Year 2019. Nevertheless, it remains a possibility that the RBI will intervene in the foreign exchange markets to stamp out excess volatility in the exchange rate in the event of potential shocks, such as an increase in U.S. interest rates or a break-down in the negotiations between EU and U.K. policymakers. Any such intervention by the RBI may result in a decline in India's foreign exchange reserves and, subsequently, reduce the amount of liquidity in the domestic financial system, which would, in turn, cause domestic interest rates to rise.

Further, any increased volatility in capital flows may also affect monetary policy decision-making. For instance, a period of net capital outflows might force the RBI to keep monetary policy tighter than optimal to guard against currency depreciation.

Political instability or changes in the Government in India could delay the liberalization of the Indian economy and adversely affect economic conditions in India generally, which would impact our financial results and prospects.

Since 1991, successive Indian Governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the roles of the Indian central and state Governments in the Indian economy as producers, consumers and regulators remain significant as independent factors in the Indian economy. The election of a pro-business majority Government in May 2014 had marked a distinct increase in expectations for policy and economic reforms among certain aspects of the Indian economy. There is no guarantee that the current Government will be able to enact an optimal set of reforms or that any such reforms would continue or succeed if there were a change in the current majority leadership in the Government in the future. There is also no guarantee that the Government will announce an optimal set of reforms or policies in the future. In November 2016, the Government undertook demonetization of high denomination notes of ₹ 500 and ₹ 1000. Short-term disruptions that the "cash squeeze" caused, may have weighed down on the economy. The rate of economic liberalization is subject to change and specific laws and policies affecting banking and finance companies, foreign investment, currency exchange and other matters affecting investment in our securities are continuously evolving as well. In addition, the GST was implemented in India in July 2017 and replaced multiple cascading taxes levied by the Indian central and state Governments. Any significant change in India's economic liberalization, deregulation policies or other major economic reforms could adversely affect business and economic conditions in India generally and our business in particular.

Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries would negatively affect the Indian market where our shares trade and lead to a loss of confidence and impair travel, which could reduce our customers' appetite for our products and services.

Terrorist attacks, such as those in Mumbai in November 2008, and other acts of violence or war may negatively affect the Indian markets on which our Equity Shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and, as a result, ultimately adversely affect our business. In addition, any deterioration in relations between India and Pakistan or between India and China might result in investor concern about stability in the region, which could adversely affect the price of our Equity Shares.

India has also witnessed civil disturbances in recent years and future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us. Such incidents also create a greater perception that investment in Indian companies involves a higher degree of risk, which could have an adverse impact on our business and the price of our Equity Shares.

Natural calamities, climate change and health epidemics could adversely affect the Indian economy, or the economy of other countries where we operate, our business and the price of our Equity Shares.

India has experienced natural calamities such as earthquakes, floods and droughts in the past few years. The extent and severity of these natural disasters determine their impact on the Indian economy. In particular, climatic and weather conditions, such as the level and timing of monsoon rainfall, impact the agricultural sector, which constitutes approximately 15% of India's value added as of Fiscal Year 2018. Prolonged spells of below or above normal rainfall or other natural calamities, or global or regional climate change, could adversely affect the Indian economy and our business, especially our rural portfolio. Similarly, global or regional climate change in India and other countries where we operate could result in change in weather patterns and frequency of natural calamities like droughts, floods and cyclones, which could affect the economy of India, the countries where we operate and our operations in those countries.

Health epidemics could also disrupt our business. In Fiscal Year 2010, there were outbreaks of swine flu, caused by the H1N1 virus, in certain regions of the world, including India and several countries in which we operate. Any future outbreak of health epidemics may restrict the level of business activity in affected areas, which may in turn adversely affect our business and the price of our Equity Shares could be adversely affected.

Investors may have difficulty enforcing foreign judgments in India against us or our management.

We are a limited liability company incorporated under the laws of India. Substantially all of the Bank's directors and executive officers and some of the experts named herein are residents of India and a substantial portion of the assets of the Bank and such persons are located in India. As a result, it may not be possible for investors to effect service of process on the Bank or such persons in jurisdictions outside of India, or to enforce against them judgments obtained in courts outside of India predicated upon civil liabilities of the Bank or such directors and executive officers under laws other than Indian Law.

In addition, India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under section 13 and section 44A of the Indian Civil Procedure Code (the "Civil Procedure Code"). Section 44A of the Civil Procedure Code provides that where a foreign judgment has been rendered by a superior court in any country or territory outside India that the Government has, by notification, declared to be a reciprocating territory, that judgment may be enforced in India by proceedings in execution as if it had been rendered by the relevant court in India. However, section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and is not applicable to arbitration awards.

The United States has not been declared by the Government to be a reciprocating territory for the purposes of section 44A of the Civil Procedure Code. However, the United Kingdom has been declared by the Government to be a reciprocating territory and the High Courts in England as the relevant superior courts. A judgment of a court in a jurisdiction which is not a reciprocating territory, such as the United States, may be enforced only by a new suit upon the judgment and not by proceedings in execution. Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon except: (i) where it has not been pronounced by a court of competent jurisdiction; (ii) where it has not been given on the merits of the case; (iii) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognize the law of India in cases where such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where it has been obtained by fraud; or (vi) where it sustains a claim founded on a breach of any law in force in India. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to execution. Any judgment in a foreign currency would be converted into Indian rupees on the date of the judgment and not on the date of the payment. We cannot predict whether a suit brought in an Indian court will be disposed of in a timely manner or be subject to considerable delays.

Risks Relating to the Equity Shares

Conditions in the Indian securities market may affect the price or liquidity of our Equity Shares.

The Indian securities markets are smaller and more volatile than securities markets in more developed economies. The Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. Prices of securities listed on Indian exchanges display signs of volatility linked among other factors to the uncertainty in the global markets and the inflationary and interest rate movements domestically. The governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Future fluctuations or trading restrictions could have a material adverse effect on the price of our Equity Shares.

Financial difficulty and other problems in certain financial institutions in India could adversely affect our business and the price of our Equity Shares.

We are exposed to the risks of the Indian financial system by being a part of the system which may be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Such "systemic risk", may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with which we interact on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and adversely affect our business. Our transactions with these financial institutions expose us to various risks in the event of default by a counterparty, which can be exacerbated during periods of market illiquidity.

There may be less information available on Indian securities markets than securities markets in developed countries.

There is a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants and that of markets in the United States and other developed economies. The Securities and Exchange Board of India ("**SEBI**") and the stock exchanges are responsible for improving disclosure and other regulatory standards for the Indian securities markets. The SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in developed economies.

After this Issue, the price of the Equity Shares may be volatile.

The Issue Price will be determined by us in consultation with the Lead Managers, based on the Bids received in compliance with Chapter VIII of the SEBI Regulations, and it may not necessarily be indicative of the market price of the Equity Shares after this Issue is complete.

The price of the Equity Shares on the NSE and the BSE may fluctuate after this Issue as a result of several factors, including:

- volatility in the Indian and the global securities market or in the rupee's value relative to the U.S. dollar, the Euro and other foreign currencies;
- our profitability and performance;
- perceptions about our future performance or the performance of Indian companies in general;
- performance of our competitors and the perception in the market about investments in the banking and finance sector; adverse media reports about us or the Indian banking and finance sector;
- a comparatively less active or illiquid market for equity shares;
- changes in the estimates of our performance or recommendations by financial analysts;
- significant developments in India's economic liberalisation and deregulation policies;
- significant developments in India's fiscal and environmental regulations; and
- any other political or economic factors.

There can be no assurance that an active trading market for the Equity Shares will be sustained after this Issue, or that the price at which the Equity Shares have historically traded will correspond to the price at which the Equity Shares are offered in this Issue or the price at which the Equity Shares will trade in the market subsequent to this Issue.

HDFC Limited's significant holdings could have an effect on the trading price of our Equity Shares.

HDFC Limited and its subsidiaries hold a significant portion of our equity, and are entitled to certain rights to appoint directors to our Board. While we are professionally managed and overseen by an independent board of directors, HDFC Limited can exercise influence over our board and over matters subject to a shareholder vote that could directly or indirectly favor the interests of HDFC Limited over our interests. See "*—HDFC Limited holds a significant percentage of our share capital and can exercise influence over board decisions that could directly or indirectly favor the interests of HDFC Limited over our interests*" and "*—We may face conflicts of interest relating to our promoter and principal shareholder, HDFC Limited, which could cause us to forego business opportunities and consequently have an adverse effect on our financial performance*." HDFC Limited's concentration of ownership may adversely affect the trading price of our Equity Shares to the extent investors perceive a disadvantage in owning stock of a company with a significant shareholder.

An investor will not be able to sell any of the Equity Shares subscribed in this Issue other than across a recognised Indian stock exchange for a period of 12 months from the date of the issue of the Equity Shares.

Pursuant to the SEBI ICDR Regulations, for a period of 12 months from the date of the issue of the Equity Shares in this Issue, Eligible QIBs subscribing to the Equity Shares may only sell their Equity Shares on the NSE or the BSE and may not enter into any off-market trading in respect of these Equity Shares. We cannot be certain that these restrictions will not have an impact on the price of the Equity Shares. Further, allotments made to VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements. This may affect the liquidity of the Equity Shares purchased by investors and it is uncertain whether these restrictions will adversely impact the market price of the Equity Shares purchased by investors.

Investors may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian company are generally taxable in India. Any gain realised on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and on which no Securities Transaction Tax ("**STT**") has been paid, are subject to long term capital gains tax in India. Until March 31, 2018, any gain realised on the sale of listed equity shares on a stock exchange held for more than 12 months was not subject to capital gains tax in India if STT was paid on the transaction. STT is levied on and collected by a domestic stock exchange on which the equity shares are sold. However, with the enactment of the Finance Act, 2018, ("**Finance Act**") the exemption previously granted in respect of payment of long term capital gains tax has been withdrawn and such taxes are now payable by the investors with effect from April 1, 2018. The Finance Act provides that existing investors are eligible for relief on such capital gains accrued until January 31, 2018, with long term capital gains made after January 31, 2018 subject to taxation. Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Capital gains arising from the sale of the equity shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident.

Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the equity shares. See "*Taxation—Statement of Tax Benefits*".

Future issuances or sales of the Equity Shares could significantly affect the trading price of the Equity Shares.

The future issuance of shares by us or the disposal of shares by any of our major shareholders, or the perception that such issuance or sales may occur, may significantly affect the trading price of the Equity Shares. There can be no assurance that we will not issue further shares or that the major shareholders will not dispose of, pledge or otherwise encumber their shares.

There is no guarantee that the Equity Shares issued pursuant to this Issue will be listed on the BSE and the NSE in a timely manner, or at all.

In accordance with Indian law and practice, permission for listing and trading of the Equity Shares issued pursuant to this Issue will not be granted until after the Equity Shares have been issued and allotted. Approval for listing and trading will require all relevant documents authorising the issuance of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the BSE and the NSE. Any failure or delay in obtaining the approval would restrict an investor's ability to dispose of the Equity Shares.

Foreign Account Tax Compliance Act withholding may affect payments on the equity shares.

Sections 1471 through 1474 of the Code impose (a) certain reporting and due diligence requirements on foreign financial institutions ("**FFIs**") and, (b) potentially require such FFIs to deduct a 30% withholding tax from (i) certain payments from sources within the United States, and (ii) "foreign passthru payments" (which is not yet defined in current guidance) made to certain FFIs that do not comply with such reporting and due diligence requirements or certain other payees that do not provide required information. We as well as relevant intermediaries such as custodians and depositary participants are classified as FFIs for these purposes. The United States has entered into a number of intergovernmental agreements ("**IGAs**") with other jurisdictions which may modify the operation of this withholding. Given that India has entered into a Model 1 IGA with the United States for giving effect to FATCA, Indian FFIs, including us, are required to comply with FATCA based on the terms of the IGA and relevant rules made pursuant thereto.

Under current guidance it is not clear whether or to what extent payments on the equity shares will be considered "foreign passthru payments" subject to FATCA withholding or the extent to which withholding on "foreign passthru payments" will be required under the applicable IGA. Investors should consult their own tax advisers on how the FATCA rules may apply to payments they receive in respect of the equity shares.

Should any withholding tax in respect of FATCA be deducted or withheld from any payments arising to any investor, neither we nor any other person will pay additional amounts as a result of the deduction or withholding.

MARKET PRICE INFORMATION

The Equity Shares have been listed and traded on BSE and NSE since November 8, 1995. As on the date of this Preliminary Placement Document, and not including the Equity Shares to be issued pursuant to the ADR Offering, 2,643,254,684 Equity Shares have been issued and are fully paid up.

On July 27, 2018 the closing price of the Equity Shares on BSE and NSE was ₹ 2,203.40 and ₹ 2,202.15 per Equity Share, respectively. Because the Equity Shares are actively traded on BSE and NSE, the market price and other information for each of BSE and NSE has been given separately.

(i) The following tables set forth the reported high, low, average market prices and the trading volumes of the Equity Shares on the Stock Exchanges on the dates on which such high and low prices were recorded and the total trading volumes for Fiscal Years ended March 31, 2016, March 31, 2017 and March 31, 2018:

BSE									
Fiscal Year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on the date of high**	**Total volume of Equity Shares traded on date of high (₹ million)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on the date of low**	**Total volume of Equity Shares traded on date of low (₹ million)**	**Average price for the year (₹)**
2018	2,014.00	February 1, 2018	79,163	158.41	1,425.00	April 7, 2017	46,399	66.79	1,763.96
2017	1,478.00	March 30, 2017	204,213	296.88	1,043.00	April 11, 2016	39,983	42.25	1,235.24
2016	1,127.90	July 21, 2015	216,085	240.46	928.80	February 29, 2016	208,732	200.18	1,045.94

NSE									
Fiscal Year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on the date of high**	**Total volume of Equity Shares traded on date of high (₹ million)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on the date of low**	**Total volume of Equity Shares traded on date of low (₹ million)**	**Average price for the year (₹)**
2018	2,014.00	February 1, 2018	1,630,355	3,262.49	1,425.05	April 6, 2017	1,531,104	2,196.76	1,763.92
2017	1,479.95	March 30, 2017	8,580,273	12,545.03	1,042.85	April 11, 2016	1,012,405	1,068.16	1,235.41
2016	1,128.00	July 21, 2015	2,757,034	3,065.75	928.00	February 29, 2016	2,203,188	2,129.60	1,046.06

(Source: www.bseindia.com and www.nseindia.com)

Notes:

1. High, low and average prices are based on the daily high, low and closing prices respectively.

2. In case of two days with the same closing price, the date with the higher volume has been chosen.

3. In the case of a year, represents the average of the closing prices on the last day of each month of each year presented.

(ii) The following tables set forth the reported high, low and average market prices and the trading volumes of the Equity Shares on the Stock Exchanges on the dates on which such high and low prices were recorded during each of the last six months:

BSE									
Month, year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on date of high**	**Total volume of Equity Shares traded on date of high (₹ million)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on date of low**	**Total volume of Equity Shares traded on date of low (₹ million)**	**Average price for the month (₹)**
June 2018	2,170.05	June 4, 2018	724,704	1520.74	2,009.75	June 18, 2018	66,293	133.90	2,064.97
May 2018	2,150.00	May 31, 2018	284,817	601.72	1,947.30	May 2, 2018; May 3, 2018	93,144; 52,302	183.07; 102.75	2,008.28
April 2018	1,984.00	April 23, 2018	243,684	474.25	1,880.25	April 4, 2018	111,322	211.58	1,928.57
March 2018	1,910.30	March 26, 2018	111,884	209.02	1,830.0	March 7, 2018	50,497	92.92	1,863.29
February 2018	2,014.00	February 1, 2018	79,163	158.41	1,837.00	February 6, 2018	218,075	407.64	1,889.94
January 2018	2,011.90	January 31, 2018	214,428	429.12	1,832.95	January 5, 2018	106,758	198.66	1,911.08

NSE									
Month, year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on the date of high**	**Total volume of Equity Shares traded on date of high (₹ million)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on the date of low**	**Total volume of Equity Shares on date of low (₹ million)**	**Average price for the month (₹)**
June 2018	2,157.00	June 4, 2018	22,199,081	46,574.47	2,009.10	June 18, 2018	1,871,851	3780.99	2,064.49
May 2018	2,160.00	May 31, 2018	9,909,798	20,991,62	1,946.00	May 2, 2018; May 3, 2018	1,755,012; 1,038,913	3,488.18; 2,038.21	2,008.35
April 2018	1,979.00	April 23, 2018	3,826,155	7,451.48	1,878.45	April 4, 2018	928,527	1,767.26	1,928.70
March 2018	1,900.00	March 26, 2018	2,625,442	4,906.05	1,828.50	March 7, 2018]	1,407,041	2,587.78	1,862.10
February 2018	2,015.00	February 1, 2018	1,630,355	3,262.49	1,836.30	February 6, 2018	2,687,451	5,022.47	1,889.69
January 2018	2,013.54	January 31, 2018	1,735,837	3,477.10	1,850.50	January 1, 2018	1,645,129	3,063.62	1,911.47

(Source: www.bseindia.com and www.nseindia.com)

<u>Notes:</u>

1. High, low and average prices are based on the daily high, low and closing prices respectively.

2. In case of two days with the same closing price, the date with the higher volume has been chosen.

(iii) The following table set forth the details of the number of Equity Shares traded and the turnover during the Fiscal Years 2018, 2017 and 2016 and the last six months on the Stock Exchanges:

Period	**Number of Equity Shares traded**		**Turnover (In ₹ million)**	
	BSE	**NSE**	**BSE**	**NSE**
Fiscal Year 2018	28,424,912	358,466,071	50,359.76	634,782.55
Fiscal Year 2017	42,433,921	448,625,858	54,366.65	575,885.27
Fiscal Year 2016	27,237,349	360,077,351	28,405.54	374,507.82
June 2018	2,492,621	85,691,101	5,179.87	178,525.28
May 2018	2,372,911	39,518,909	4,777.98	80,255.78
April 2018	1,455,912	26,318,977	2,807.67	50,801.88
March 2018	2,027,874	28,352,209	3,766.48	52,842.58
February 2018	1,404,268	27,602,788	2,654.05	52,189.01
January 2018	2,938,260	35,760,436	5,704.94	68,784.63

(*Source: www.bseindia.com and www.nseindia.com*)

(iv) The following table sets forth the market price on the Stock Exchanges on December 21, 2018, the first working day following the approval of the Board for the Issue:

BSE					
Open	**High**	**Low**	**Close**	**Number of Equity Shares traded**	**Volume (₹ million)**
1,871.25	1,884.40	1,865.00	1,868.15	63,257	118.43

NSE					
Open	**High**	**Low**	**Close**	**Number of Equity Shares traded**	**Volume (₹ million)**
1,879.90	1,885.00	1,865.20	1,868.30	1,713,636	3,206.29

(Source: www.bseindia.com and www.nseindia.com)

USE OF PROCEEDS

The gross proceeds from the Issue are expected to be approximately ₹ [●] million.

The net proceeds from the Issue, after deducting fees and commissions for the Issue, are expected to be approximately ₹ [●] million (the "**Net Proceeds**").

Subject to compliance with applicable laws and regulations, we intend to use the Net Proceeds of the Issue, together with the proceeds of the ADR Offering and the Preferential Allotment, to strengthen our capital structure and ensuring adequate capital to support growth and expansion, including enhancing our solvency and capital adequacy ratio.

Our Promoters and Directors are not making any contribution either as part of the Issue or separately in furtherance of the objects of the Issue, other than the Promoter's contribution in respect of the Preferential Allotment.

CAPITALISATION STATEMENT

The following table sets forth our capitalisation (on a standalone basis) as of March 31, 2018 on an:

- actual basis;
- as adjusted basis to give effect to the Preferential Allotment.
- as adjusted basis to give effect to the Preferential Allotment, the Issue and the ADR Offering.

You should read this table together with the section "Risk Factors", "Selected Financial Information" "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 39, 35 and 75 and our audited standalone financial statements as of and for the year ended March 31, 2018 and the related notes thereto contained in "Financial Statements" on page 235.

	Pre-issue as of March 31, 2018 (Actual)	**Post-Issue as of March 31, 2018**			
		Increase due to the Preferential Allotment	**Increase due to the Issue and the ADR Offering**	**As adjusted for the Preferential Allotment**[1a]	**As adjusted for the Preferential Allotment, the Issue and the ADR Offering**[1b]
	(₹ million)				
Short term debt:[2]					
Unsecured	5,90,068.8	-	-	5,90,068.8	5,90,068.8
Long term debt:					
Unsecured	6,40,980.9	-	-	6,40,980.9	6,40,980.9
Total debt	12,31,049.7	-	-	12,31,049.7	12,31,049.7
Shareholders' funds:					
Share capital	5,190.2	78.2	[●]	5,268.4	[●]
Securities premium	3,11,457.3	84,921.8	[●]	3,96,379.1	[●] [3]
Reserves and surplus	7,46,302.5	-	-	7,46,302.5	7,46,302.5
Total funds (excluding loan funds)	**10,62,950.0**	**85,000.0**	[●]	**11,47,950.0**	[●]
Total capitalization	**22,93,999.7**	**85,000.0**	[●]	**23,78,999.7**	[●]

Notes:

1a. *As adjusted to show 3,90,96,817 Equity Shares issued by way of preferential allotment on a private placement basis to Housing Development Finance Corporation Limited, the Bank's promoter, at a price of ₹ 2,174.09 per Equity Share. However, this does not give effect to the Equity Shares allotted by the Bank post March 31, 2018 pursuant to the exercise of options granted under its employee stock option schemes. The Bank has allotted an aggregate of 9,067,600 Equity Shares during the three months ended June 30, 2018 pursuant to the exercise of options granted under its employee stock option schemes. As on the date of this Preliminary Placement Document 65,224,000 stock options granted by the Bank under nine employee stock option schemes are outstanding.*

1b. *As adjusted to show the total number of Equity Shares issued in the Issue, including 3,90,96,817 Equity Shares issued by way of preferential allotment on a private placement basis to Housing Development Finance Corporation Limited at a price of ₹ 2,174.09 per Equity Share, as well as the Equity Shares issued in the ADR Offering. However, this does not give effect to the Equity Shares allotted by the Bank post March 31, 2018 pursuant to the exercise of options granted under its employee stock option schemes. The Bank has allotted an aggregate of 9,067,600 Equity Shares during the three months ended June 30, 2018 pursuant to the exercise of options granted under its employee stock option schemes. As on the date of this Preliminary Placement Document 65,224,000 stock options granted by the Bank under nine employee stock option schemes are outstanding.*

2. *Consists of borrowings of contracted maturity of upto one year.*

3. *Estimated commission, payable by us, of ₹ [●] million on the sale of Equity Shares pursuant to the Issue and estimated underwriting discounts and commissions payable by us of U.S. $ [●] million or ₹ [●] million on the sale of Equity Shares issued in the ADR offering have been deducted from Securities Premium.*

CAPITAL STRUCTURE

The Equity Share capital of the Bank as at the date of this Preliminary Placement Document is set forth below:

(In ₹ , except Equity Share data)

		Aggregate value at face value
A	**AUTHORISED SHARE CAPITAL**	
	3,250,000,000 Equity Shares of face value ₹ 2 per Equity Share	6,500,000,000
B	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL BEFORE THE ISSUE**	
	2,643,254,684 Equity Shares	5,286,509,368
C	**PRESENT ISSUE IN TERMS OF THIS PRELIMINARY PLACEMENT DOCUMENT(1)**	
	[●] Equity Shares aggregating to ₹ [●] million	[●]
D	**PAID-UP CAPITAL AFTER THE ISSUE(2)**	
	[●] Equity Shares(3)	[●]
E	**SHARE PREMIUM ACCOUNT**	
	Before the Issue	403,815,318,510.55
	After the Issue(2)(4)	[●]

1. *The Issue has been authorised by the Board of Directors pursuant to a resolution dated December 20, 2017 and by the shareholders pursuant to a resolution dated January 19, 2018.*
2. *Pursuant to the approval granted by the shareholders of the Bank through the resolution dated January 19, 2018, the Bank is simultaneously conducting an offering of Equity Shares in the form of American Depository Receipts ("ADRs") each representing three Equity Shares as part of the ADR Offering. The Bank, at its discretion, may decide to withdraw the ADR Offering at any time up to the date of pricing of the ADR Offering.*
3. *Includes the Equity Shares issued as part of the ADR Offering.*
4. *Includes the share premium pursuant to the ADR Offering.*

Equity Share Capital History of the Bank

I. The following table sets forth details of allotments of Equity Shares made by the Bank since its incorporation (other than allotments made pursuant to exercise of stock options granted under the employee stock option schemes):

Date of Allotment	No. of Equity Shares Allotted	Face Value (In ₹)	Issue price per Equity Share (In ₹)	Consideration (Cash/other than cash)
September 12, 1994	70	10	10	Cash
September 30, 1994	50,000,000	10	10	Cash
October 21, 1994	10,000,000	10	10	Cash
October 21, 1994	10,000,000	10	10	Cash
December 22, 1994	29,290,600	10	10	Cash
December 22, 1994	79,400	10	10	Cash
December 22, 1994	1,550,000	10	10	Cash
January 16, 1995	9,079,930	10	10	Cash
May 8, 1995	40,000,000	10	10	Cash
May 9, 1995	50,000,000	10	10	Cash
March 29, 2000	1,370,000	10	94	Cash
March 29, 2000	23,478,261	10	-	Other than cash(1)
March 29, 2000	13,310,000	10	94	Cash
March 29, 2000	5,120,000	10	94	Cash
July 20,2001	32,537,958	10	USD 13.83	Cash
July 25, 2001	4,880,694	10	USD 13.83	Cash

Date of Allotment	No. of Equity Shares Allotted	Face Value (In ₹)	Issue price per Equity Share (In ₹)	Consideration (Cash/other than cash)
January 21,2005	19,933,995	10	USD 39.26	Cash
January 25, 2005	2,990,100	10	USD 39.26	Cash
June 29, 2007	13,582,000	10	1,023.49	Cash
July 18, 2007	19,783,512	10	USD 92.10~1235.06	Cash
June 24,2008	69,883,956	10	-	Other than cash(2)
November 30,2009	26,200,220	10	1,530.13	Cash
July 6, 2011(3)	2,333,855,680	2	-	-
February 10, 2015	18,744,142	2	1,067.00	Cash
February 10, 2015	66,000,000	2	USD 57.76	Cash
July 17, 2018(4)	39,096,817	2	2,174.09	Cash

(1) *Equity Shares issued to the shareholders of Times Bank Limited in connection with the amalgamation of Times Bank Limited with the Bank, in the ratio of one Equity Share of ₹ 10 each of the Bank for every 5.75 shares of Times Bank Limited.*

(2) *Equity Shares issued to the shareholders of Centurion Bank of Punjab Limited in connection with the amalgamation of Centurion Bank of Punjab Limited with the Bank, in the ratio of one Equity Share of ₹ 10 each of the Bank for every 29 shares of Times Bank Limited.*

(3) *Sub-division of the face value of the Equity Shares from ₹ 10 each to ₹ 2 each.*

(4) *Equity Shares issued to HDFC Limited pursuant to the Preferential Allotment.*

II. The following table sets forth a quarter-wise summary of the allotments of Equity Shares made by the Bank pursuant to exercise of stock options granted under employee stock option schemes:

Quarter during which allotments were made	No. of Equity Shares Allotted	Face Value (In ₹)	Range of price per Equity Share (In ₹)	Consideration (Cash/other than cash)
January 1, 2001 to March 31, 2001	318,000	10	131.33	Cash
July 1, 2001 to September 30, 2001	190,500	10	131.33	Cash
October 1,2001 to December 31, 2001	124,200	10	131.33	Cash
January 1, 2002 to March 31, 2002	45,000	10	131.33	Cash
April 1, 2002 to June 30, 2002	417,700	10	131.33 to 225.43	Cash
July 1, 2002 to September 30, 2002	116,700	10	131.33	Cash
October 1,2002 to December 31, 2002	100,600	10	131.33	Cash
January 1, 2003 to March 31, 2003	36,100	10	131.33	Cash
April 1, 2003 to June 30, 2003	1,106,500	10	131.33 to 226.96	Cash
July 1, 2003 to September 30, 2003	328,800	10	131.33 to 226.96	Cash
October 1, 2003 to December 31, 2003	416,400	10	131.33 to 226.96	Cash
January 1, 2004 to March 31, 2004	894,300	10	131.33 to 226.96	Cash
April 1, 2004 to June 30, 2004	1,052,100	10	131.33 to 226.96	Cash
July 1, 2004 to September 30, 2004	389,100	10	131.33 to 226.96	Cash
October 1, 2004 to December 31, 2004	309,900	10	131.33 to 226.96	Cash
January 1, 2005 to March 31, 2005	408,400	10	131.33 to 358.60	Cash
April 1, 2005 to June 30, 2005	1,378,100	10	131.33 to 366.30	Cash
July 1, 2005 to September 30, 2005	680,700	10	131.33 to 366.30	Cash
October 1, 2005 to December 31, 2005	247,200	10	131.33 to 366.30	Cash
January 1, 2006 to March 31, 2006	961,100	10	131.33 to 366.30	Cash
April 1, 2006 to June 30, 2006	707,500	10	131.33 to 366.30	Cash
July 1, 2006 to September 30, 2006	524,900	10	131.33 to 630.60	Cash
October 1, 2006 to December 31, 2006	774,600	10	131.33 to 630.60	Cash
January 1, 2007 to March 31, 2007	4,240,200	10	225.43 to 630.60	Cash
April 1, 2007 to June 30, 2007	215,400	10	225.43 to 630.60	Cash
July 1, 2007 to September 30, 2007	481,400	10	226.96 to 630.60	Cash
October 1, 2007 to December 31, 2007	623,400	10	225.43 to 994.85	Cash
January 1, 2008 to March 31, 2008	357,600	10	226.96 to 994.85	Cash

Quarter during which allotments were made	No. of Equity Shares Allotted	Face Value (In ₹)	Range of price per Equity Share (In ₹)	Consideration (Cash/other than cash)
April 1, 2008 to June 30, 2008	299,900	10	358.60 to 994.85	Cash
July 1, 2008 to September 30, 2008	412,700	10	358.60 to 1098.70	Cash
October 1, 2008 to December 31, 2008	114,952	10	358.60 to 1098.70	Cash
January 1, 2009 to March 31, 2009	239,681	10	358.60 to 859.85	Cash
April 1, 2009 to June 30, 2009	799,157	10	358.60 to 1258.60	Cash
July 1, 2009 to September 30, 2009	1,174,258	10	358.60 to 1258.60	Cash
October 1, 2009 to December 31, 2009	1,678,820	10	358.60 to 1258.60	Cash
January 1, 2010 to March 31, 2010	2,506,708	10	358.60 to 1258.60	Cash
April 1, 2010 to June 30, 2010	1,947,431	10	358.60 to 1258.60	Cash
July 1, 2010 to September 30, 2010	2,914,147	10	358.60 to 1446.10	Cash
October 1, 2010 to December 31, 2010	1,725,111	10	358.60 to 1704.80	Cash
January 1, 2011 to March 31, 2011	895,723	10	358.60 to 1704.80	Cash
April 1, 2011 to June 30, 2011	1,545,452	10	358.60 to 1704.80	Cash
July 1, 2011 to September 30, 2011	4,456,450	2	71.72 to 340.96	Cash
October 1, 2011 to December 31, 2011	3,002,890	2	23.20 to 440.16	Cash
January 1, 2012 to March 31, 2012	5,373,250	2	72.58 to 440.16	Cash
April 1, 2012 to June 30, 2012	9,231,105	2	107.30 to 440.16	Cash
July 1, 2012 to September 30, 2012	5,778,865	2	88.45 to 440.16	Cash
October 1, 2012 to December 31, 2012	6,367,225	2	88.45 to 440.16	Cash
January 1, 2013 to March 31, 2013	11,353,565	2	107.30 to 508.23	Cash
April 1, 2013 to June 30, 2013	9,314,155	2	107.30 to 468.40	Cash
July 1, 2013 to September 30, 2013	2,514,975	2	107.30 to 508.23	Cash
October 1, 2013 to December 31, 2013	3,345,385	2	107.30 to 508.23	Cash
January 1, 2014 to March 31, 2014	4,456,890	2	107.30 to 508.23	Cash
April 1, 2014 to June 30, 2014	8,645,820	2	118.61 to 508.23	Cash
July 1, 2014 to September 30, 2014	6,625,900	2	118.61 to 680.00	Cash
October 1, 2014 to December 31, 2014	2,437,255	2	171.97 to 680.00	Cash
January 1, 2015 to March 31, 2015	4,343,550	2	340.96 to 680.00	Cash
April 1, 2015 to June 30, 2015	4,962,900	2	440.16 to 680.00	Cash
July 1, 2015 to September 30, 2015	6,735,000	2	440.16 to 835.50	Cash
October 1, 2015 to December 31, 2015	6,893,200	2	440.16 to 835.50	Cash
January 1, 2016 to March 31, 2016	3,100,100	2	440.16 to 835.50	Cash
April 1, 2016 to June 30, 2016	6,865,500	2	440.16 to 835.50	Cash
July 1, 2016 to September 30, 2016	10,581,700	2	440.16 to 1092.65	Cash
October 1, 2016 to December 31, 2016	9,740,400	2	440.16 to 1092.65	Cash
January 1, 2017 to March 31, 2017	7,171,600	2	468.40 to 1092.65	Cash
April 1, 2017 to June 30, 2017	11,337,600	2	468.40 to 1092.65	Cash
July 1, 2017 to September 30, 2017	10,113,300	2	468.40 to 1092.65	Cash
October 1, 2017 to December 31, 2017	6,127,000	2	468.40 to 1092.65	Cash
January 1, 2018 to March 31, 2018	3,637,200	2	468.40 to 1092.65	Cash
April 1, 2018 to June 30, 2018	9,067,600	2	680.00 to 1092.65	Cash
July 1, 2018 to July 30, 2018	Nil	-	-	-

DIVIDENDS

The Bank has paid dividends every year since Fiscal Year 1997. These dividends are generally declared at the end of the Fiscal Year. The following table sets forth, for the periods indicated, the dividend per Equity Share and the total amount of dividends on the Equity Shares, both exclusive of dividend tax.

Fiscal Year	Dividend Per Equity Share (In ₹)	Total Amount of Dividend (In ₹ million)
2018	13.00	33,842.89
2017	11.00	28,312.72
2016	9.50	24,083.09

Dividends are generally declared and paid in the Fiscal Year following the Fiscal Year to which they relate. Under Indian law, a company pays dividends upon a recommendation by its board of directors and upon approval by a majority of the shareholders at the annual general meeting of shareholders held within six months of the end of each fiscal year. The shareholders have the right to decrease but not to increase the dividend amount recommended by the board of directors.

Future dividends will depend on our revenues, cash flows, financial condition (including capital position) and other factors. Accordingly, we cannot provide any assurance that the target payout ratio will be realised. For a description of regulation of dividends, see the section "Supervision and Regulation" on page 150. Further, the amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our audited unconsolidated financial statements for the years ended March 31, 2016, March 31, 2017 and March 31, 2018 included in this placement document. Also see "Selected Financial and Other Information" and "Selected Statistical Information" included in this placement document.

We prepare our financial statements in accordance with Indian GAAP. The financial statements reflect applicable statutory requirements and regulatory guidelines and accounting practices in India. These requirements, guidelines and practices change from time to time and in accordance with Indian GAAP, adjustments to reflect such changes are made on a prospective basis and the financial statements for earlier periods are not restated. For the purposes of a comparative analysis in the discussion below, previous years' figures have been reclassified wherever necessary.

Our Fiscal Year ends on March 31 of each year. Accordingly, all references to a particular Fiscal Year are to the twelve-month period ended on March 31 of that year. Unless otherwise specified, all information regarding cost, yield and average balances are based on daily average of balances outstanding during the relevant period.

This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the section "Forward-Looking Statements" on page 13, the section "Risk Factors" on page 39 and elsewhere in this placement document. Certain portions of the following discussion include information publicly available from the RBI and other sources.

Introduction

Overview

We are a new generation private sector bank in India. Our principal business activities are retail banking, wholesale banking and treasury services. Our retail banking division provides various products such as deposit products, loans, credit cards, debit cards, third-party mutual funds and insurance products, investment advice, bill payment services and other services. Through our wholesale banking operations we provide products such as loans, deposit products, documentary credits, guarantees, bullion trading, debt syndication services and foreign exchange and derivative products. We also provide cash management services, clearing and settlement services for stock and commodity exchanges, tax and other collections for the Government, custody services and correspondent banking services. Our treasury services segment undertakes trading operations on the proprietary account (including investments in Government securities), foreign exchange operations and derivatives trading both on the proprietary account and customer flows and borrowings.

Certain Factors Affecting our Results of Operations

Our total income consists of interest and dividend income as well as non-interest income. Our interest and dividend income is primarily generated by interest on loans, interest or dividends from securities (excluding dividends from subsidiary and associate companies), and interest from other activities. We offer a range of loans to retail customers and working capital and term loans to corporate customers. The primary components of our investments portfolio are statutory liquidity ratio ("**SLR**") investments, debentures and bonds and other investments. SLR investments principally consist of Government of India ("**GOI**") treasury securities. Other investments include asset-backed securities, mortgage-backed securities, commercial papers, deposit certificates issued by banks as well as equity securities and units of mutual funds. Interest income from other activities consists primarily of interest from inter-bank placements.

Our interest expense includes interest on deposits as well as on borrowings including interest expense on our inter-bank borrowings (including deposits taken under the credit support annex agreements), bills re-discounted ("**BRDS**") transactions, inter-bank risk participation ("**IBPC**") transactions and securities sold under repurchase agreements (repo transactions) with the RBI, such as under the RBI's liquidity adjustment facility/marginal standing facility of the RBI. Our interest income and expense are affected by fluctuations in interest rates as well as volume of activity. Our interest expense is also affected by the extent to which we fund our activities with savings and current account deposits, and the extent to which we rely on borrowings. Our provisions and contingencies include specific provisions for non-performing assets ("**NPAs**"), general provisions on standard assets, floating provisions and provisions for legal and other contingencies.

We also use net interest margin and spread to measure our results. Net interest margin represents the ratio of net interest income to average total assets. Spread represents the difference between yield on average interest-earning assets and the cost of average interest-bearing liabilities, including current accounts which are non-interest bearing.

The average balances of loans, presented in this document, are net of average balances of BRDS and IBPC transactions, consistent with our balance sheet presentation as mandated by the RBI. Accordingly, interest expended on BRDS and IBPC transactions are netted off from interest income on loans for the purposes of the information on average yield/cost. However, in the presentation of our financial statements for each of the periods presented, the interest expended on these transactions is included under interest expense on borrowings.

Our non-interest income includes fee and commission income, profit or loss on sale and revaluation of investments, profit or loss from foreign exchange and derivative transactions and dividend from subsidiary and associate companies. Our principal sources of fee and commission income are retail banking services, retail asset fees and charges, debit and credit card fees, home loan sourcing commissions, documentary credits and bank guarantees, distribution of third party mutual funds and insurance products and capital market services.

Our non-interest expense includes salaries and staff costs, rent and electricity expenses, repair and maintenance expenses, depreciation, commission to sales agents and other expenses.

Our financial condition and results of operations are affected by general economic conditions prevailing in India. Economic growth during Fiscal Year 2017 moderated as compared to the previous Fiscal Year 2016. As per the estimates of the Indian Central Statistics Office ("**CSO**"), real GDP growth moderated to 7.1% in Fiscal Year 2017 from 8.0% in Fiscal Year 2016. While the slowdown reflected the impact of demonetization, there was also an upward revision of previously reported growth for Fiscal Year 2016 (from 7.6% earlier to now 8.0%). This moderation intensified in the first quarter of Fiscal Year 2018 as GDP growth slowed down to a 13-quarter low at 5.7%, sharply lower than last year's 7.9% expansion in the same quarter. The transitional impact of the GST and lingering residual effects of demonetization were in part responsible for the slowdown. As the negative effects of GST, demonetization shock and supply disruptions seem to be gradually fading, the economy seems to be slowly regaining momentum. The GDP growth bounced back to 6.5% in the second quarter of Fiscal Year 2018 and further to 7.2% in the third quarter of Fiscal Year 2018 after declining for the five preceding quarters. The 2018 Union Budget puts the focus of fiscal policy in the coming year on the revival of the rural economy and infrastructure expenditure. Notwithstanding some positive reversal in private investment growth in the third quarter of Fiscal Year 2018, (rising to 12% from 1.6% in the Q1 of Fiscal Year 2018), we believe the incremental pick up in private capital expenditures is likely to be sector and sub-sector specific and very gradual.

While our results may not necessarily track the GDP figures directly, how the economy performs affects the environment in which we operate. For instance, a strong GDP growth may lead businesses to plan and invest confidently, in turn causing a better demand for bank credit. On the other hand, inflation also moderated during Fiscal Year 2017, with the average level of CPI declining to 4.5% in Fiscal Year 2017 from 4.9% in Fiscal Year 2016. A range of supply side measures, including prudent food stock management, appropriate monetary policy action and subdued global commodity prices led to the decline in inflation. As a result of, inter alia, declining inflationary pressures, the RBI reduced the policy repo rate by 75 basis points from 7.5% to 6.75% in Fiscal Year 2016, by 50 basis points in Fiscal Year 2017 from 6.75% to 6.25% and 25 basis points in Fiscal Year 2018 from 6.25% to 6.00%. In June 2018, considering higher inflationary pressures, the RBI has increased the policy repo rate to 6.25%. Higher inflation generally leads to higher rates of interest and raises the cost of funds for businesses, making it difficult for them to borrow. Higher interest rates also affect us as our spreads could compress. Alternatively, a lower interest rate scenario, adds to the economic growth and is generally beneficial to the environment in which we operate, provided inflation is under control.

On the fiscal side, the government appears to be committed to fiscal consolidation by reducing the fiscal deficit from 4.5% in Fiscal Year 2014 to 3.5% in Fiscal Year 2017. However, given rising pressures on the fiscal side, the government strayed slightly from its fiscal consolidation path. The fiscal deficit as a percentage of GDP stood at 3.5% in Fiscal Year 2018 versus the 3.2% target, and for Fiscal Year 2019 the budget outlined a 3.3% fiscal deficit target. The focus of this year's budget has been primarily on the agriculture sector, reviving the rural economy, infrastructure, health, employment generation and smaller businesses. Declining fiscal deficits tend to have a favorable impact on our operations, as lower fiscal deficit allows the central bank to reduce rates, given a sustainable level of inflation and also does not crowd out private investments.

Notwithstanding the pace of growth in India, we believe we have maintained a strong balance sheet and a low cost of funds. As of March 31, 2018, our net non-performing assets constituted 0.40% of our net advances. In addition, our net advances represented 83.5% of our deposits and our deposits represented 74.1% of our total liabilities and shareholders' equity as of March 31, 2018. The non-interest bearing current accounts and low-interest bearing savings accounts represented 43.5% of our total deposits as of March 31, 2018. These low-cost deposits and the cash float associated with our transactional services led to an average cost of funds (including equity) of 4.3% for Fiscal Year 2018.

Critical Accounting Policies

We have set forth below some of our critical accounting policies under Indian GAAP. Our financial statements are prepared in accordance with Indian GAAP. The preparation of the financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, income and expenses as well as the disclosure of contingent liabilities. The notes to the financial statements contain a summary of our significant accounting policies. Certain of these policies are critical to the portrayal of our financial condition, since they require management to make subjective judgments, some of which may relate to matters that are inherently uncertain. Below is a discussion of these critical accounting policies. We base our estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. As a result of changes in applicable statutory requirements, regulatory guidelines and accounting practices in India, our accounting policies may have undergone changes during the periods covered by this discussion. Accordingly, this discussion should be read in conjunction with our financial statements and notes as applicable during the respective Fiscal Year.

Set forth below are some of our critical accounting policies under Indian GAAP.

Investments

Classification:

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ("**HFT**"), "Available for Sale" ("**AFS**") and "Held to Maturity" ("**HTM**") categories (hereinafter called "categories"). Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups (hereinafter called "groups") - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments.

Purchase and sale transactions in securities are recorded under 'Settlement Date' of accounting, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of classification:

Investments that are held principally for resale within 90 days from the date of purchase are classified under the HFT category. Investments which we intend to hold till maturity are classified as HTM securities. Investments in the equity of subsidiaries / joint ventures are categorised as HTM in accordance with the RBI guidelines. Investments which are not classified in either of the above categories are classified under the AFS category.

Acquisition cost:

Brokerage, commission, etc. and broken period interest on debt instruments are recognised in the Statement of Profit and Loss and are not included in the cost of acquisition.

Disposal of investments:

Profit / loss on the sale of investments under the HFT, AFS and HTM categories is recognised in the Statement of Profit and Loss. Cost of investments is based on the weighted average cost method. The profit from the sale of investments under the HTM category, net of taxes and transfer to statutory reserve is appropriated from the Statement of Profit and Loss to "Capital Reserve" in accordance with the RBI Guidelines.

Short sale:

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines. The short position is reflected as the amount received on the sale and is classified under "Other Liabilities". The short position is marked to market and loss, if any, is charged to the Statement of Profit and Loss while gain, if any, is ignored. Profit / Loss on settlement of the short position is recognised in the Statement of Profit and Loss.

Valuation:

Investments classified under the AFS and HFT categories are marked to market as per the RBI guidelines.

Traded investments are valued based on the trades / quotes on the recognised stock exchanges, price list of the RBI or prices declared by Primary Dealers Association of India ("**PDAI**") jointly with the Fixed Income Money Market and Derivatives Association ("**FIMMDA**"), periodically.

The market value of unquoted Government securities which qualify for determining the SLR included in the AFS and HFT categories is computed as per the Yield-to-Maturity ("**YTM**") rates published by the FIMMDA.

The valuation of other unquoted fixed income securities (viz. State Government securities, other approved securities, bonds and debentures) and preference shares, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for Government securities published by the FIMMDA.

Special bonds such as oil bonds, fertilizer bonds etc. which are directly issued by the GOI that do not qualify for SLR are also valued by applying the mark-up above the corresponding yield on GOI securities.

Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at ₹ 1 as per the RBI guidelines.

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

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost and stated at acquisition cost.

Security receipts are valued as per the net asset value provided by the issuing Asset Reconstruction Company from time to time.

Investments in unquoted venture capital funds are categorized under the HTM category for an initial period of three years and valued at cost. Such investments are required transferred to the AFS category thereafter.

Pass Through Certificates ("**PTCs**") including priority sector-PTCs are valued by using the FIMMDA credit spread as applicable for the NBFC category, based on the credit rating of the respective PTC over the YTM rates for Government securities published by the FIMMDA.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the six groups, is charged to the Statement of Profit and Loss. The net appreciation, if any, in any of the six groups is not recognised except to the extent of depreciation already provided. The valuation of investments includes securities under repo transactions. The book value of individual securities is not changed after the valuation of investments.

Investments classified under the HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a constant yield-to-maturity basis. Such amortisation of premium is adjusted against interest income under the heading "Income from investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in subsidiaries / joint ventures is provided for.

Non-performing investments are identified and depreciation / provision are made thereon based on the RBI guidelines. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Statement of Profit and Loss until received.

Repo and reverse repo transactions:

In accordance with the RBI guidelines, repurchase and reverse repurchase transactions in Government securities and corporate debt securities are reflected as borrowing and lending transactions respectively.

Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.

Advances

Classification:

Advances are classified as performing and non-performing based on the RBI guidelines and are stated net of bills rediscounted, inter-bank participation with risk, specific provisions, interest in suspense for non-performing advances, claims received from the Export Credit Guarantee Corporation, provisions for funded interest term loans classified as non-performing advances and provisions in lieu of diminution in the fair value of restructured assets. Interest on non-performing advances is transferred to an interest suspense account and not recognised in the Statement of Profit and Loss until received.

Provisioning:

Specific loan loss provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of wholesale and retail advances, subject to the minimum provisioning level prescribed by the RBI.

The specific provision levels for retail non-performing assets are also based on the nature of product and delinquency levels. Specific loan loss provisions in respect of non-performing advances are charged to the Statement of Profit and Loss and included under Provisions and Contingencies.

Non-performing advances are written-off in accordance with our policies. Recoveries from bad debts written-off are recognised in the Statement of Profit and Loss and included under other income.

In relation to non-performing derivative contracts, as per the extant RBI guidelines, we make provision for the entire amount of overdue and future receivables relating to positive marked to market value of the said derivative contracts.

We maintain general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, and gold in accordance with the guidelines and at levels stipulated by the RBI from time to time. In the case of overseas branches, general provision on standard advances is maintained at the higher of the levels stipulated by the respective overseas regulator or the RBI. Provision for standard assets is included under other liabilities.

Provisions made in addition to our policy for specific loan loss provisions for non-performing assets and regulatory general provisions are categorised as floating provisions. Creation of floating provisions is considered by the Bank up to a level approved by the Board of Directors. In accordance with the RBI guidelines, floating provisions are used up to a level approved by the Board only for contingencies under extraordinary circumstances and for making specific provisions for impaired accounts as per these guidelines or any regulatory guidance / instructions. Floating provisions are included under other liabilities.

Further to the provisions required to be held according to the asset classification status, provisions are held for individual country exposures (other than for home country exposure). Countries are categorised into risk categories as per the Export Credit Guarantee Corporation of India Ltd. ("**ECGC**") guidelines and provisioning is done in respect of that country where the net funded exposure is one percent or more of our total assets. Provision for country risk is included under other liabilities.

In addition to the above, we make provisions on a prudential basis on advances or exposures which are not NPAs, but have reasons to believe on the basis of the extant environment or specific information or basis regulatory guidance / instructions, of a possible slippage of a specific advance or a group of advances or exposures or potential exposures. These are classified as contingent provisions and included under other liabilities.

We consider a restructured account as one where we, for economic or legal reasons relating to the borrower's financial difficulty, grant to the borrower concessions that we would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by us only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines. Restructuring of an account is done at a borrower level.

Securitisation and transfer of assets

We securitise out our receivables to Special Purpose Vehicles ("**SPVs**") in securitisation transactions. Such securitised-out receivables are derecognised from the balance sheet when they are sold (true sale criteria being fully met with) and consideration is received by us. Sales / transfers that do not meet these criteria for surrender of control are accounted for as secured borrowings. In respect of receivable pools securitised-out, we provide liquidity and credit enhancements, as specified by the rating agencies, in the form of cash collaterals / guarantees and / or by subordination of cash flows in line with the RBI guidelines. We also act as a servicing agent for receivable pools securitised-out.

We also enter into transactions for the transfer of standard assets through the direct assignment of cash flows, which are similar to asset-backed securitisation transactions through the SPV route, except that such portfolios of receivables are assigned directly to the purchaser and are not represented by PTCs.

The RBI issued addendum guidelines on securitisation of standard assets via its circular dated May 7, 2012 ("**2012 RBI Guidelines**"). Accordingly, we do not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines. We amortise any profit received for every individual securitisation or direct assignment transaction based on the method prescribed in these guidelines.

In relation to securitisation transactions undertaken prior to the 2012 RBI Guidelines, including those undertaken through the direct assignment route, we continue to amortise the profit / premium that arose on account of sale of receivables over the life of the securities sold, in accordance with the RBI guidelines on securitisation of standard assets issued via its circular dated February 1, 2006 ("**2006 RBI Guidelines**").

Any loss arising on account of sale of receivables is recognised in the Statement of Profit and Loss for the period in which the sale occurs in accordance with the 2006 RBI Guidelines.

We transfer advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by us is reduced from advances and where we are participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by us is classified under borrowings and where we are participating, the aggregate amount of participation is shown as due from banks under advances.

We enter into transactions for the sale or purchase of Priority Sector Lending Certificates ("**PSLCs**"). In the case of a sale transaction, we sell the fulfillment of priority sector obligation and in the case of a purchase transaction we buy the fulfillment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as 'Miscellaneous Income' and the fee paid for purchase of the PSLC is recorded as 'Other Expenditure' in the statement of Profit and Loss. These are amortised over the period of the PSLCs.

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

We invest in PTCs issued by other SPVs. These are accounted for at the deal value and are classified as investments. We also buy loans through the direct assignment route which are classified as advances. These are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the tenor of the loans.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. Management believes that the useful life of assets assessed by us, pursuant to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets are given below:

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act, 2013
Owned Premises	61 years	60 years
Automated Teller Machines (“**ATMs**”)	10 years	15 years
Electrical equipment and installations	6 to 10 years	10 years
Office equipment	3 to 6 years	5 years
Computers	3 years	3 years
Modems, routers, switches, servers, network and related IT equipment	3 to 6 years	6 years
Motor cars	4 years	8 years
Furniture and fittings	16 years	10 years

- Improvements to lease hold premises are charged off over the remaining primary period of the lease.
- Software and system development expenditure is depreciated over a period of 5 years.
- Point of sale terminals are fully depreciated in the year of purchase.
- For assets purchased and sold during the year, depreciation is provided for on a pro-rata basis by us.
- Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.
- Profit on the sale of immovable property net of taxes and transfer to statutory reserve, are transferred to the capital reserve account.

Impairment of assets

The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Statement of Profit and Loss to the extent the carrying amount of the assets exceeds their estimated recoverable amount.

Transactions involving foreign exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of integral foreign operations (representative offices) are translated at the weekly average closing rates and of non-integral foreign operations (foreign branches) at the monthly average closing rates.

Foreign currency monetary items of domestic and integral foreign operations are translated at the closing exchange rates notified by the Foreign Exchange Dealers’ Association of India (“**FEDAI**”) as at the balance sheet date and the resulting net valuation profit or loss arising due to a net open position in any foreign currency is recognised in the Statement of Profit and Loss.

Both monetary and non-monetary foreign currency assets and liabilities of non-integral foreign operations are translated at closing exchange rates notified by the FEDAI at the balance sheet date and the resulting profit / loss arising from exchange differences are accumulated in the Foreign Currency Translation Account until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS - 11, “The Effects of Changes in Foreign Exchange Rates”.

Foreign exchange spot and forward contracts outstanding as at the balance sheet date and held for trading, are revalued at the closing spot and forward rates respectively as notified by the FEDAI and at interpolated rates for contracts of interim maturities. The USD-INR rate for valuation of contracts having longer maturities i.e. greater than one year, is implied from Mumbai Inter-bank Forward Offer Rate ("**MIFOR**") and London Inter-bank Offerred Rate ("**LIBOR**") curves. For other currency pairs, the forward points (for rates / tenors not published by the FEDAI) are obtained from Reuters for valuation of the FX deals. As directed by FEDAI to consider profit and loss on a present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Statement of Profit and Loss. Foreign exchange contracts are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value).

Foreign exchange forward contracts not intended for trading, that are entered into to establish the amount of reporting currency required or available at the settlement date of a transaction, and are outstanding at the Balance Sheet date, are effectively valued at the closing spot rate. The premia or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

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

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

Derivative contracts

We recognize all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Statement of Profit and Loss.

Derivative contracts designated as hedges are not marked to market unless their underlying transaction is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Statement of Profit and Loss in the relevant period. We identify the hedged item (asset or liability) at the inception of the transaction itself. Hedge effectiveness is ascertained at the time of the inception of the hedge and periodically thereafter. Gains or losses arising from hedge ineffectiveness, if any, are recognised in the Statement of Profit and Loss.

Contingent liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by the FEDAI as at the balance sheet date.

Revenue recognition

Interest income is recognised in the Statement of Profit and Loss on an accrual basis, except in the case of non-performing assets. Also in the case of domestic advances, where interest is collected on rear-end basis, such interest is accounted for on receipt basis in accordance with the RBI guidelines.

Interest income on investments in PTCs and loans bought out through the direct assignment route is recognised at their effective interest rate.

Income on non-coupon bearing discounted instruments is recognised over the tenor of the instrument on a constant effective yield basis.

Loan processing fees are recognised as income when due. Syndication / arranger fees are recognised as income when a significant act / milestone is completed.

Gain / loss on sell down of loans is recognised in line with the extant RBI guidelines.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

Guarantee commission, commission on letter of credit, annual locker rent fees and annual fees for credit cards are recognised on a straight-line basis over the period of the contract. Other fees and commission income are recognised when due, where we are reasonably certain of ultimate collection.

Employee benefits

Employee Stock Option Scheme:

The Employee Stock Option Scheme (the "**Scheme**") provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

We follow the intrinsic value method to account for our stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price of the underlying stock over the exercise price as determined under the option plan. The market price is the closing price on the stock exchange where there is the highest trading volume on the working day immediately preceding the date of grant. Compensation cost, if any, is amortised over the vesting period.

Gratuity:

We provide for a gratuity to all our employees. The benefit vests upon completion of five years of service and is in the form of a lump sum payment to employees on resignation, retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. We make contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. In respect of erstwhile Lord Krishna Bank ("**eLKB**") employees, we make contributions to a fund set up by eLKB and administered by the Board of Trustees.

The defined gratuity benefit plans are valued by an independent actuary as at the balance sheet date using the projected unit credit method as per the requirement of AS-15, Employee Benefits, to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognised in the Statement of Profit and Loss.

Superannuation:

Employees of the Bank, above a prescribed grade, are entitled to receive retirement benefits under our Superannuation Fund. We contribute a sum equivalent to 13% of the employee's eligible annual basic salary (15% for the whole time directors and for certain eligible erstwhile Centurion Bank of Punjab ("**eCBoP**") staff) to insurance companies, which administer the fund. We have no liability for future superannuation fund benefits other than our contribution, and we recognise such contributions as an expense in the year incurred, as such contribution is in the nature of a defined contribution.

Provident fund:

In accordance with law, all of our employees are entitled to receive benefits under the provident fund. We contribute an amount, on a monthly basis, at a determined rate (currently 12% of an employee's basic salary). Of this, we contribute an amount equal to 8.33% of an employee's basic salary up to a maximum salary level of ₹ 15,000 per month, to the Pension Scheme administered by the Regional Provident Fund Commissioner ("**RPFC**"). The balance amount is contributed to a fund set up by us and administered by a Board of Trustees. In respect of eCBoP employees, employer's and employee's share of contribution to the Provident Fund up to March 2009, was administered by RPFC and from April 2009 onwards, the same is transferred to the fund set up by the Bank and administered by the Board of Trustees. In respect of eLKB employees, we contribute to a fund set up by eLKB and administered by a Board of Trustees. We recognise such contributions as an expense in the year in which they are incurred. Interest payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, is made good by us.

The guidance note on implementing AS-15, Employee Benefits, states that benefits involving employer established provident funds, which require interest shortfalls to be provided, are to be considered as defined benefit plans. Actuarial valuation of this Provident Fund interest shortfall is done as per the guidance note issued in this respect by The Institute of Actuaries of India ("**IAI**") and provision towards this liability is made.

Our overseas branches make contributions to the respective relevant government scheme calculated as a percentage of the employees' salaries. Our obligations are limited to these contributions, which are expensed when due, as such contribution is in the nature of a defined contribution.

Leave encashment / Compensated absences:

We do not have a policy of encashing unavailed leave for our employees, except for certain eLKB employees under Indian Banks' Association ("**IBA**") structure. We provide for leave encashment / compensated absences based on an independent actuarial valuation at the balance sheet date, which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation.

Pension:

In respect of pensions payable to certain eLKB employees under the IBA structure, which is a defined benefit scheme, we contribute 10% of basic salary to a pension fund set up by us and administered by the Board of Trustees and the balance amount is provided based on actuarial valuation as at the balance Sheet date conducted by an independent actuary.

In respect of certain eLKB employees who had moved to a Cost to Company ("**CTC**") driven compensation structure and had completed less than 15 years of service, the contribution which was made until then, is maintained as a fund and will be converted into an annuity on separation after a lock-in-period of two years. For this category of employees, liability stands frozen and no additional provision is required except for interest as applicable to the Provident Fund, which is provided for.

In respect of certain eLKB employees who moved to a CTC structure and had completed service of more than 15 years, pensions would be paid on separation based on salary applicable as on the date of movement to a CTC structure. Provision thereto is made based on actuarial valuation as at the balance sheet date conducted by an independent actuary.

Debit and credit cards reward points

We estimate the probable redemption of debit and credit card reward points and cost per point using an actuarial method by employing an independent actuary, which includes assumptions such as mortality, redemption and spends. Provisions for liabilities on the outstanding reward points are made based on the actuarial valuation report as furnished by the said independent actuary and included in other liabilities.

Bullion

We import bullion, including precious metal bars, on a consignment basis. The imports are typically on a back-to-back basis and are priced to the customer based on the price quoted by the supplier. The difference between the price recovered from customers and cost of bullion is classified under 'Commission Income'.

We also deal in bullion on a borrowing and lending basis and the interest paid and received thereon is classified as interest expense and income, respectively.

Lease accounting

Lease payments including cost escalation for assets taken on operating leases are recognised in the Statement of Profit and Loss over the lease term on a straight-line basis in accordance with the AS-19, Leases.

Income tax

Income tax expense comprises current tax provision (i.e. the amount of tax for the period determined in accordance with the Income Tax Act, 1961, the rules framed thereunder and considering the material principles set out in the Income Computation and Disclosure Standards) and the net change in the deferred tax asset or liability during the year. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences between the carrying values of assets and liabilities and their respective tax bases, and operating loss carried forward, if any. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates as at the balance sheet date.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when we have a legal right to off-set and when we intend to settle on a net basis.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realised.

Earnings per share

We report basic and diluted earnings per equity share in accordance with AS-20, Earnings per Share. Basic earnings per equity share has been computed by dividing net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted to equity during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and the dilutive potential equity shares outstanding during the period except where the results are anti-dilutive.

Share issue expenses

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

Segment information

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by the RBI.

Accounting for provisions, contingent liabilities and contingent assets

In accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets, we recognise provisions when we have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Provisions are determined based on management estimates required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

A disclosure of a contingent liability is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not within our control; 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 an outflow of resources is remote, no provision or disclosure is made.

Contingent assets, if any, are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

Onerous contracts

Provisions for onerous contracts are recognised when the expected benefits to be derived by us from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, we recognize any impairment loss on the assets associated with that contract.

Cash and cash equivalents

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

Corporate social responsibility

Expenditure towards corporate social responsibility, in accordance with the Companies Act, 2013, are recognised in the Statement of Profit and Loss.

Summary of Changes to Significant Accounting Policies

There has been no change in our significant accounting policies during the last three Fiscal Years.

Summary of Changes to Classification

Effective Fiscal Year 2017, we included our repurchase / reverse repurchase transactions under the Liquidity Adjustment Facility ("**LAF**") and Marginal Standing Facility ("**MSF**") with the RBI under "Borrowings from RBI"/ "Balances with RBI", as the case may be. Prior to Fiscal Year 2017, these transactions were netted from / included under "Investments". Figures of the previous years have been regrouped / reclassified to conform to the current classification. The above change in classification has no impact on our profits for the periods presented. Also see note 1 under *Schedule 18 – Notes forming part of the financial statements for the year ended March 31, 2017*.

Effective Fiscal Year 2017, we have not appropriated proposed dividend from Statement of Profit and Loss, as required under revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016. Prior to Fiscal Year 2017, the proposed dividend and the tax thereon, was shown under Appropriations in the Statement of Profit and Loss and an equivalent amount was included under Other Liabilities. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of the capital adequacy ratio as at March 31, 2017. Also see note 2 under *Schedule 18 – Notes forming part of the financial statements for the year ended March 31, 2017*.

Effective Fiscal Year 2016, we included our deposits placed with National Bank for Agriculture and Rural Development ("**NABARD**"), Small Industries Development Bank of India ("**SIDBI**") and National Housing Bank ("**NHB**"), arising out of the shortfall in meeting the priority sector lending targets/sub-targets, under "Other Assets" and interest income thereon under "Interest Earned – Others". Prior to Fiscal Year 2016, these were included under "Investments" and "Interest Earned – Income on Investments", respectively. Figures for the previous year have been regrouped / reclassified to conform to the current classification. The above change in classification has no impact on our profits for the periods presented. Also see note 1 under *Schedule 18 – Notes forming part of the financial statements for the year ended March 31, 2016*.

Fiscal Year Ended March 31, 2018 Compared to Fiscal Year Ended March 31, 2017

Summary of Performance

	Year ended March 31,				
	2017		2018		% Increase/ (Decrease)
	(in millions, except percentages)				
Net interest income	₹	331,392.2	₹	400,948.6	21.0%
Other income		122,965.0		152,203.0	23.8
Operating expenses		197,033.4		226,903.7	15.2
Provisions (including tax) and contingencies		111,827.4		151,380.6	35.4
Net profit	₹	**145,496.4**	₹	**174,867.3**	**20.2%**

Net Interest Income

Our net interest income increased by 21.0% from ₹ 331.4 billion in Fiscal Year 2017 to ₹ 400.9 billion in Fiscal Year 2018. The following table sets out the components of our net interest income:

	Year ended March 31,				
	2017		2018		% Increase/ (Decrease)
	(in millions, except percentages)				
Interest / discount on advances / bills	₹	520,552.6	₹	626,617.9	20.4%
Income on investments		159,443.4		162,223.7	1.7
Other interest income		13,063.6		13,571.9	3.9
Interest Income		**693,059.6**		**802,413.5**	**15.8**
Interest Expended		361,667.4		401,464.9	11.0
Net Interest Income	₹	**331,392.2**	₹	**400,948.6**	**21.0%**

Interest Income

Our total interest income increased by 15.8% from ₹ 693.1 billion in Fiscal Year 2017 to ₹ 802.4 billion in Fiscal Year 2018. The increase in interest income was primarily due to the following:

- Interest income on loans increased by 20.4% primarily due to an increase in the average balance of our loan book. The average balance of our total loan book increased by 23.7% from ₹ 4,842.1 billion in Fiscal Year 2017 to ₹ 5,987.9 billion for Fiscal Year 2018. This increase was partially off-set by a decrease in yield of our loan portfolio from 10.7% in Fiscal Year 2017 to 10.3% in Fiscal Year 2018.

- Interest income on investments increased by 1.7% from ₹ 159.4 billion in Fiscal Year 2017 to ₹ 162.2 billion in Fiscal Year 2018. This was primarily driven by an increase in the average balance of investments. The average balance of our investments increased by ₹ 117.7 billion from ₹ 2,160.9 billion in Fiscal Year 2017 to ₹ 2,278.6 billion in Fiscal Year 2018. This increase was partially off-set by a decline in yield on investments from 7.4% in Fiscal Year 2017 to 7.1% in Fiscal Year 2018.

- Other interest income increased by 3.9% in Fiscal Year 2018 due to an increase in our average inter-bank placements partially off-set by a decline in the yields thereon.

Interest Expended

Our total interest expended increased by 11.0% from ₹ 361.7 billion in Fiscal Year 2017 to ₹ 401.5 billion in Fiscal Year 2018. The increase in interest expensed was primarily due to the following:

- Our interest expense on deposits increased by 4.6% from ₹ 313.3 billion in Fiscal Year 2017 to ₹ 327.7 billion in Fiscal Year 2018. This increase was primarily attributable to an increase in our average deposits, which increased by 16.4% from ₹ 5,843.7 billion in Fiscal Year 2017 to ₹ 6,800.2 billion in Fiscal Year 2018. This increase was partially off-set by a decline in the average cost of our deposits which decreased from 5.4% in Fiscal Year 2017 to 4.8% in Fiscal Year 2018.

- Our interest expense on borrowings increased by 52.5% from ₹ 48.4 billion in Fiscal Year 2017 to ₹ 73.8 billion in Fiscal Year 2018, on account of an increase in the average balance of our borrowings and the average cost thereon. Our average borrowings increased by 18.3% from ₹ 801.7 billion in Fiscal Year 2017 to ₹ 948.4 billion in Fiscal Year 2018 and the average cost of our borrowings increased from 5.8% in Fiscal Year 2017 to 6.7% in Fiscal Year 2018. During the year ended March 31, 2018, we raised debt capital instruments eligible for inclusion in Additional Tier I capital and Tier II capital under the Basel III capital regulations amounting to ₹ 80.0 billion and ₹ 20.0 billion respectively.

Other Income

Our other income increased by 23.8% from ₹ 123.0 billion in Fiscal Year 2017 to ₹ 152.2 billion in Fiscal Year 2018. This increase was primarily due to an increase in our commission, exchange and brokerage income, profit on foreign exchange and derivative transactions and recoveries from written-off accounts. Our commissions increased by 29.3% from ₹ 88.1 billion in Fiscal Year 2017 to ₹ 113.9 billion in Fiscal Year 2018 primarily on account of an increase in fees and charges on retail asset products, fees on debit and credit cards and commissions on distribution of mutual funds and insurance products. Profit on foreign exchange and derivative transactions increased from ₹ 12.6 billion in Fiscal Year 2017 to ₹ 15.2 billion in Fiscal Year 2018 primarily on account of an increase in volumes partially off-set by a decline in spreads. Recoveries from written-off accounts increased from ₹ 8.6 billion in Fiscal Year 2017 to ₹ 10.9 billion in Fiscal Year 2018. The increase in our other income was partially off-set by a decrease in our profits on sale and revaluation of investments, which declined from ₹ 11.4 billion in Fiscal Year 2017 to ₹ 9.2 billion in Fiscal Year 2018. This was primarily attributable to net mark to market losses on investments of ₹ 1.6 billion in Fiscal Year 2018 as compared to net mark to market gains of ₹ 0.1 billion in Fiscal Year 2017. The RBI in its circular dated April 2, 2018, granted banks an option spread provisioning for mark to market losses on investments held in AFS and HFT for the quarters ended December 31, 2017 and March 31, 2018. The circular states that the provisioning for each of these quarters may be spread equally over up to four quarters, commencing with the quarter in which the loss was incurred. We recognised the entire net mark to market loss on investments in the year ended March 31, 2018 and did not avail of the said option.

Operating Expenses

Our operating expenses increased by 15.2% from ₹ 197.0 billion in Fiscal Year 2017 to ₹ 226.9 billion in Fiscal Year 2018. Staff cost increased by 5.0% from ₹ 64.8 billion in Fiscal Year 2017 to ₹ 68.1 billion in Fiscal Year 2018 primarily attributable to wage revisions. The number of our employees increased from 84,325 as of March 31, 2017 to 88,253 as of March 31, 2018. Other significant reasons for increases in operating expenses were higher card related costs backed by an increase in card spends, collection and recovery related costs, expenditure for the purchase of priority sector lending certificates, insurance and commission to sales agents. As of March 31, 2018, we had 4,787 branches and 12,635 ATMs across 2,691 locations, which increased from 4,715 branches and 12,260 ATMs across 2,657 locations as of March 31, 2017. This also led to an overall increase in our operating expenses.

Provisions (Including Tax) and Contingencies

Our provisions (other than tax) and contingencies increased by 65.0% from ₹ 35.9 billion in Fiscal Year 2017 to ₹ 59.3 billion in Fiscal Year 2018. Specific provisions for NPAs increased by 57.5% from ₹ 31.4 billion in Fiscal Year 2017 to ₹ 49.4 billion in Fiscal Year 2018. The increase was primarily due to higher provision charge in our agriculture and personal loans segments and certain of our corporate accounts. Further, charge on account of provisions for standard assets and floating and other provisions increased from ₹ 4.6 billion in Fiscal Year 2017 to ₹ 9.9 billion in Fiscal Year 2018 primarily on account of new RBI guidelines requiring banks to make provisions for standard assets at rates higher than the regulatory minimum, based on evaluation of risk and stress in various sectors, and other contingent provisions made on prudential basis. Our tax expense increased by 21.4% from ₹ 75.9 billion in Fiscal Year 2017 to ₹ 92.1 billion in Fiscal Year 2018 due to an increase in our profits. Our total provisions and contingencies (including tax provisions) increased by 35.4% from ₹ 111.8 billion in Fiscal Year 2017 to ₹ 151.4 billion in Fiscal Year 2018.

Net Profit

As a result of the above, our net profit increased by 20.2% from ₹ 145.5 billion in Fiscal Year 2017 to ₹ 174.9 billion in Fiscal Year 2018.

Fiscal Year Ended March 31, 2017 Compared to Fiscal Year Ended March 31, 2016

Summary of Performance

	Year ended March 31,		
	2016	2017	% Increase/ (Decrease)
	(in millions, except percentages)		
Net interest income	₹ 275,915.1	₹ 331,392.2	20.1%
Other income	107,517.2	122,965.0	14.4
Operating expenses	169,797.0	197,033.4	16.0
Provisions (including tax) and contingencies	90,673.2	111,827.4	23.3
Net profit	**₹ 122,962.1**	**₹ 145,496.4**	**18.3%**

Net Interest Income

Our net interest income increased by 20.1% from ₹ 275.9 billion in Fiscal Year 2016 to ₹ 331.4 billion in Fiscal Year 2017. The following table sets out the components of our net interest income:

	Year ended March 31,		
	2016	2017	% Increase/ (Decrease)
	(in millions, except percentages)		
Interest / discount on advances / bills	₹ 448,278.6	₹ 520,552.6	16.1%
Income on investments	141,200.3	159,443.4	12.9
Other interest income	12,735.6	13,063.6	2.6
Interest Income	**602,214.5**	**693,059.6**	**15.1**
Interest Expended	326,299.4	361,667.4	10.8
Net Interest Income	**₹ 275,915.1**	**₹ 331,392.2**	**20.1%**

Interest Income

Our total interest income increased by 15.1% from ₹ 602.2 billion in Fiscal Year 2016 to ₹ 693.1 billion in Fiscal Year 2017. The increase in interest income was primarily due to the following:

- Interest income on loans increased by 16.1% primarily due to an increase in the average balance of our loan book. The average balance of our total loan book increased by 19.6% from ₹ 4,049.6 billion in Fiscal Year 2016 to ₹ 4,842.1 billion for Fiscal Year 2017. This increase was partially off-set by a decrease in yield of our loan portfolio from 11.0% in Fiscal Year 2016 to 10.7% in Fiscal Year 2017.

- Interest income on investments increased by 12.9% from ₹ 141.2 billion in Fiscal Year 2016 to ₹ 159.4 billion in Fiscal Year 2017. This was primarily driven by an increase in the average balance of investments. The average balance of our investments increased by ₹ 330.2 billion from ₹ 1,830.7 billion in Fiscal Year 2016 to ₹ 2,160.9 billion in Fiscal Year 2017. This increase was partially off-set by a decline in yield on investments from 7.7% in Fiscal Year 2016 to 7.4% in Fiscal Year 2017.

- Other interest income increased by 2.6% in Fiscal Year 2017 due to an increase in our average inter-bank placements partially off-set by a decline in the yields thereon.

Interest Expended

Our total interest expended increased by 10.8% from ₹ 326.3 billion in Fiscal Year 2016 to ₹ 361.7 billion in Fiscal Year 2017. The increase in interest expensed was primarily due to the following:

- Our interest expense on deposits increased by 7.4% from ₹ 291.8 billion in Fiscal Year 2016 to ₹ 313.3 billion in Fiscal Year 2017. This increase was primarily attributable to an increase in our average deposits, which increased by 18.6% from ₹ 4,928.2 billion in Fiscal Year 2016 to ₹ 5,843.7 billion in Fiscal Year 2017. This increase was partially off-set by a decline in the average cost of our deposits which decreased from 5.9% in Fiscal Year 2016 to 5.4% in Fiscal Year 2017.

- Our interest expense on borrowings increased by 40.1% from ₹ 34.5 billion in Fiscal Year 2016 to ₹ 48.4 billion in Fiscal Year 2017, primarily on account of an increase in the average balance of our borrowings and the average cost thereon. Our average borrowings increased by 24.3% from ₹ 644.8 billion in Fiscal Year 2016 to ₹ 801.7 billion in Fiscal Year 2017 and the average cost of these borrowings increased from 5.1% in Fiscal Year 2016 to 5.8% in Fiscal Year 2017.

Other Income

Our other income increased by 14.4% from ₹ 107.5 billion in Fiscal Year 2016 to ₹ 123.0 billion in Fiscal Year 2017. This increase was primarily due to an increase in our commission, exchange and brokerage income, profits on sale and revaluation of investments and recoveries from written-off accounts. Our commissions increased by 13.6% from ₹ 77.6 billion in Fiscal Year 2016 to ₹ 88.1 billion in Fiscal Year 2017 primarily on account of an increase in fees on debit and credit cards, transactional charges and fees on deposit accounts, fees on retail assets and commissions on distribution of mutual funds and insurance products. Profits on sale and revaluation of investments increased from ₹ 7.3 billion in Fiscal Year 2016 to ₹ 11.4 billion in Fiscal Year 2017. This was primarily attributable to the sale of GOI securities. Recoveries from written-off accounts increased from ₹ 8.1 billion in Fiscal Year 2016 to ₹ 8.6 billion in Fiscal Year 2017.

Operating Expenses

Our operating expenses increased by 16.0% from ₹ 169.8 billion in Fiscal Year 2016 to ₹ 197.0 billion in Fiscal Year 2017. As of March 31, 2017, we had 4,715 branches and 12,260 ATMs across 2,657 locations, which increased from 4,520 branches and 12,000 ATMs across 2,587 locations as of March 31, 2016. This led to an overall increase in our operating expenses. Staff cost increased by 13.7% from ₹ 57.0 billion in Fiscal Year 2016 to ₹ 64.8 billion in Fiscal Year 2017 primarily attributable to wage revisions. The number of our employees reduced from 87,555 as of March 31, 2016 to 84,325 as of March 31, 2017. Other significant reasons for increases in operating expenses were higher card related costs backed by an increase in issuance and acquiring volumes, rent and electricity expenses, repairs and maintenance expenses and commission to sales agents.

Provisions (Including Tax) and Contingencies

Our provisions (other than tax) and contingencies increased by 31.8% from ₹ 27.3 billion in Fiscal Year 2016 to ₹ 35.9 billion in Fiscal Year 2017. Specific provisions for NPAs increased by 46.0% from ₹ 21.5 billion in Fiscal Year 2016 to ₹ 31.4 billion in Fiscal Year 2017. The increase was primarily due to higher provision charge in our personal loans and credit card segments. Further, charge on account of provisions for standard assets and floating and other provisions decreased from ₹ 5.8 billion in Fiscal Year 2016 to ₹ 4.6 billion in Fiscal Year 2017 primarily on account of a lower charge of floating provisions in Fiscal Year 2017 as compared to Fiscal Year 2016. Our tax expense increased by 19.7% from ₹ 63.4 billion in Fiscal Year 2016 to ₹ 75.9 billion in Fiscal Year 2017 due to an increase in our profits. Our total provisions and contingencies (including tax provisions) increased by 23.3% from ₹ 90.7 billion in Fiscal Year 2016 to ₹ 111.8 billion in Fiscal Year 2017.

Net Profit

As a result of the above, our net profit increased by 18.3% from ₹ 123.0 billion in Fiscal Year 2016 to ₹ 145.5 billion in Fiscal Year 2017.

Liquidity and Capital Resources

Our growth over the last three years has been financed by a combination of cash generated from operations, increases in our customer deposits, borrowings and new issuances of equity capital and other securities qualifying as capital funds. The following table sets forth our cash flows from operating activities, investing activities and financing activities in a condensed format. We have aggregated certain line items set forth in the cash flow statement that is part of our financial statements included elsewhere in this placement document in order to facilitate an understanding of significant trends in our business.

	Year ended March 31		
	2016	**2017**	**2018**
	(in millions)		
Net cash flow generated from/ (used in) operating activities	₹ (301,321.9)	₹ 235,854.0	₹ 260,740.7
Net cash flow used in investing activities	(6,557.1)	(19,562.5)	(5,331.0)
Net cash flow generated from/ (used in) financing activities	333,470.4	(115,676.3)	484,114.3
Effect of exchange fluctuation on translation reserve	282.5	(282.6)	105.8
Net (decrease) / increase in cash and cash equivalents	₹ **25,873.9**	₹ **100,332.6**	₹ **739,629.8**
Cash and cash equivalents, beginning of year	**363,314.5**	**389,188.4**	**489,521.0**
Cash and cash equivalents, end of year	₹ **389,188.4**	₹ **489,521.0**	₹ **1,229,150.8**

Cash Flows from Operating Activities

Our net cash provided by operating activities reflects our net profit, adjustments for tax and non-cash charges (such as depreciation, provisions for NPAs), as well as changes in other assets and liabilities.

We had net cash flows of ₹ 260.7 billion generated from operating activities in Fiscal Year 2018 as compared to net cash flows of ₹ 235.9 billion generated from operating activities in Fiscal Year 2017. The increase in net cash flows from operating activities was primarily attributable to an increase in our profit and higher cash inflows on account of deposits aggregating ₹ 1,451.3 billion in Fiscal Year 2018 as compared to cash inflow of ₹ 972.2 billion in Fiscal Year 2017.

We had net cash flows of ₹ 235.9 billion generated from operating activities in Fiscal Year 2017 as compared to net cash flows of ₹ 301.3 billion used in operating activities in Fiscal Year 2016. The increase in net cash flows from operating activities was primarily attributable to an increase in our profit and lower cash out flows on account of investments and advances amounting to ₹ 177.3 billion and ₹ 933.2 billion respectively in Fiscal Year 2017 as compared to ₹ 391.4 billion and ₹ 1,016.0 billion respectively in Fiscal Year 2016. This was further augmented by cash inflow on account of deposits aggregating ₹ 972.2 billion in Fiscal Year 2017 as compared to cash inflow of ₹ 956.3 billion in Fiscal Year 2016.

Cash Flows from Investing Activities

Our cash flows from investing activities generally reflect our purchase and sales of fixed assets, investments made in and dividends received from subsidiaries and joint ventures.

Our net cash flows used in investing activities decreased from ₹ 19.6 billion in Fiscal Year 2017 to ₹ 5.3 billion in Fiscal Year 2018 primarily on account of lower investments in our subsidiary of ₹ 0.1 billion in Fiscal Year 2018 as compared to ₹ 10.6 billion in Fiscal Year 2017. Further, in Fiscal Year 2018 our purchases of fixed assets in Fiscal Year 2018 were lower as compared to those in Fiscal Year 2017.

Our net cash flows used in investing activities increased from ₹ 6.6 billion in Fiscal Year 2016 to ₹ 19.6 billion in Fiscal Year 2017 primarily on account of our purchases of fixed assets amounting to ₹ 10.7 billion and our investments in our subsidiary amounting to ₹ 10.6 billion.

Cash Flows from Financing Activities

Our cash flows from financing activities are primarily composed of proceeds from capital instruments, borrowings, dividends paid (including taxes thereon) and money received on exercise of stock options by employees.

We had net cash flows of ₹ 484.1 billion generated from financing activities in Fiscal Year 2018 as compared to net cash flows of ₹ 115.7 billion used in financing activities in Fiscal Year 2017. This was primarily on account of our issuance of debt capital instruments and net increase in our borrowings in Fiscal Year 2018. During the year ended March 31, 2018, we raised debt capital instruments eligible for inclusion in Additional Tier I capital and Tier II capital under the Basel III capital regulations amounting to ₹ 80.0 billion and ₹ 20.0 billion respectively. During Fiscal Year 2018 we also raised ₹ 23.0 billion by an overseas issuance of Rupee denominated bonds.

We had net cash flows of ₹ 115.7 billion used in financing activities in Fiscal Year 2017 as compared to net cash flows of ₹ 333.5 billion generated from financing activities in Fiscal Year 2016. This was primarily on account of net repayments of some of our borrowings in Fiscal Year 2017.

Financial Condition

Assets

The following table sets forth the principal components of our assets as of March 31, 2016, 2017 and 2018:

	As of March 31,		
	2016	**2017**	**2018**
	(in millions)		
Cash and balances with the RBI	₹ 300,583.1	₹ 378,968.7	₹ 1,046,704.7
Balances with banks and money at call and short notice	88,605.3	110,552.2	182,446.1
Investments	1,958,362.8	2,144,633.4	2,422,002.4
Advances	4,645,939.6	5,545,682.0	6,583,330.9
Fixed assets	33,431.5	36,267.4	36,072.1
Other assets	381,038.4	422,298.2	368,787.0
Total	₹ **7,407,960.7**	₹ **8,638,401.9**	₹ **10,639,343.2**

Our total assets increased by 16.6% from ₹ 7,408.0 billion as of March 31, 2016 to ₹ 8,638.4 billion as of March 31, 2017 and by 23.2% to ₹ 10,639.3 billion as of March 31, 2018 as compared to the position as of March 31, 2017. The increase has been primarily on account of the growth in our advances and investments portfolios.

Cash and balances with the RBI increased by 26.1% from ₹ 300.6 billion as of March 31, 2016 to ₹ 379.0 billion as of March 31, 2017 and further by 176.2% to ₹ 1,046.7 billion as of March 31, 2018. Cash and balances with the RBI include currency on hand, the cash balances that we are required to maintain with the RBI to meet our cash reserve ratio requirement as well as the balances of reverse repurchase transactions undertaken with the RBI. We are required to maintain a specific percentage of prescribed demand and time liabilities by way of a balance in a current account with the RBI. This is to maintain the solvency of the banking system. The cash reserve ratio requirement remained stable at 4.00%. See "*Supervision and Regulation – Cash Reserve Ratio*". Our balances with the RBI increased in Fiscal Year 2018 primarily due to higher reverse repurchase transactions of Government securities outstanding as of March 31, 2018 as compared to March 31, 2017. There were no such transactions outstanding as of March 31, 2016.

Our balances with banks and money at call and short notice increased by 24.8% from ₹ 88.6 billion in Fiscal Year 2016 to ₹ 110.6 billion in Fiscal Year 2017 and further increased by 65.0% to ₹ 182.4 billion as of March 31, 2018.

Investments increased by 9.5% from ₹ 1,958.4 billion as of March 31, 2016 to ₹ 2,144.6 billion as of March 31, 2017 and by 12.9% to ₹ 2,422.0 billion as of March 31, 2018 primarily on account of an increase in our investment in GOI securities and corporate bonds, partially off-set by a decrease in our investments in commercial paper.

Advances increased by 19.4% from ₹ 4,645.9 billion as of March 31, 2016 to ₹ 5,545.7 billion as of March 31, 2017 and by 18.7% to ₹ 6,583.3 billion as of March 31, 2018 primarily attributable to the growth in our retail loan portfolio.

Our fixed assets increased by 8.5% from ₹ 33.4 billion as of March 31, 2016 to ₹ 36.3 billion as of March 31, 2017 and then decreased to ₹ 36.1 billion as of March 31, 2018. We added 195 branches and 260 ATMs in Fiscal Year 2017 and 72 branches and 375 ATMs in Fiscal Year 2018.

Other assets increased by 10.8% from ₹ 381.0 billion as of March 31, 2016 to ₹ 422.3 billion as of March 31, 2017 primarily on account of an increase in the unrealised gains on foreign exchange and derivative contracts from ₹ 85.7 billion in Fiscal Year 2016 to ₹ 140.1 billion in Fiscal Year 2017, partially off-set by a decrease in our deposits placed with financial institutions on accout of our shortfall in meeting the priority sector lending targets and sub-targets. Other assets decreased from ₹ 422.3 billion as of March 31, 2017 to ₹ 368.8 billion as of March 31, 2018, primarily attributable to the decline in the unrealised gains from foreign exchange and derivative contracts by 63.7% to ₹ 50.9 billion as of March 31, 2018, partially off-set by an increase in our deposits placed with financial institutions on account of our shortfall in meeting the priority sector lending targets/sub-targets. We present gross unrealised gain on foreign exchange and derivative contracts under other assets.

Liabilities and Shareholders' Equity

The following table sets forth the principal components of our liabilities and shareholders' equity as of March 31, 2016, 2017 and 2018:

	As of March 31,		
	2016	**2017**	**2018**
	(in millions)		
Capital	₹ 5,056.4	₹ 5,125.1	₹ 5,190.2
Reserves and surplus	721,721.3	889,498.4	1,057,759.8
Deposits	5,464,241.9	6,436,396.6	7,887,706.4
Borrowings	849,689.8	740,288.7	1,231,049.7
Other liabilities and provisions	367,251.3	567,093.1	457,637.1
Total	₹ **7,407,960.7**	₹ **8,638,401.9**	₹ **10,639,343.2**

Our total liabilities and shareholders' equity increased by 16.6% from ₹ 7,408.0 billion as of March 31, 2016 to ₹ 8,638.4 billion as of March 31, 2017 and by 23.2% to ₹ 10,639.3 billion as of March 31, 2018. This increase was primarily attributable to the growth in our deposits, borrowings and net profit.

Deposits increased by 17.8% from ₹ 5,464.2 billion as of March 31, 2016 to ₹ 6,436.4 billion as of March 31, 2017 and by 22.5% to ₹ 7,887.7 billion as of March 31, 2018. Savings account deposits increased by 30.9% from ₹ 1,478.9 billion as of March 31, 2016 to ₹ 1,935.8 billion as of March 31, 2017 and by 15.6% to ₹ 2,238.1 billion as of March 31, 2018. Our non-interest bearing current account deposits increased by 30.7% from ₹ 884.2 billion as of March 31, 2016 to ₹ 1,155.7 billion as of March 31, 2017 and by 3.2% to ₹ 1,192.8 billion as of March 31, 2018. In Fiscal Year 2017, there was a spurt in our savings account and non-interest bearing current account deposits largely attributable to the demonetization exercise carried out by the RBI, whereby the ₹ 500 and ₹ 1,000 denominations of bank notes ceased to be legal tender with effect from November 9, 2016. See '*Supervision and Regulation – Demonetization Measures*'. Our time deposits increased by 7.9% from ₹ 3,101.1 billion as of March 31, 2016 to ₹ 3,344.9 billion as of March 31, 2017 and by 33.2% to ₹ 4,456.8 billion as of March 31, 2018. We had mobilised US$ 3.4 billion in special FCNR deposits from NRI clients under the RBI swap window in Fiscal Year 2014. A major portion of these deposits were issued for a 3-year tenor. These came up for redemption starting Fiscal Year 2017 and US$ 3.03 billion of the FCNR deposits were redeemed up to March 2018.

Further, our borrowings decreased by 12.9% from ₹ 849.7 billion as of March 31, 2016 to ₹ 740.3 billion as of March 31, 2017 and then increased by 66.3% to ₹ 1,231.0 billion as of March 31, 2018. In Fiscal Year 2017, our borrowings increased primarily on account of the long-term debt of ₹ 67.0 billion we raised for lending to the affordable housing sector and financing infrastructure project loans. This increase was off-set by a decrease in our repurchase transactions as of March 31, 2017 as compared to March 31, 2016. No repurchase transactions remained outstanding as of March 31, 2017. Our borrowings increased by ₹ 490.8 billion to ₹ 1,231.0 billion as of March 31, 2018 primarily due to the issuance of capital eligible Additional Tier 1 and Tier 2 debt instruments, higher balances of repurchase transactions and an increase in our borrowings from banks and financial institutions. During the year ended March 31, 2018, we raised debt capital instruments eligible for inclusion in Additional Tier I capital and Tier II capital under the Basel III capital regulations amounting to ₹ 80.0 billion and ₹ 20.0 billion respectively. During Fiscal Year 2018 we also raised ₹ 23.0 billion by an overseas issuance of Rupee denominated bonds. Most of our funding requirements are met through short-term and medium-term funding sources. Of our total non-equity sources of funding, that are comprised of deposits and borrowings, deposits accounted for 86.5%, short-term borrowings accounted for 6.5% and long-term debt instruments accounted for 7.0% as of March 31, 2018.

Other liabilities and provisions increased by 54.4% from ₹ 367.3 billion as of March 31, 2016 to ₹ 567.1 billion as of March 31, 2017 and decreased by 19.3% to ₹ 457.6 billion as of March 31, 2018. The movement in our other liabilities and provisions is primarily attributable to bills payable, interest accrued, contingent provisions against standard assets and unrealised loss on foreign exchange and derivative contracts. Our unrealised loss on foreign exchange and derivative contracts increased by 84.5% from ₹ 75.2 billion as of March 31, 2016 to ₹ 138.8 billion as of March 31, 2017 and decreased by 63.3% to ₹ 50.9 billion as of March 31, 2018. We present gross unrealised loss on foreign exchange and derivative contracts under other liabilities.

Divergence in asset classification and provisioning

The RBI assesses the compliance by banks with the extant prudential norms on income recognition, asset classification and provisioning ("**IRACP**") as part of its supervisory processes. The RBI, in its circular dated April 18, 2017, requires banks to make suitable disclosures, wherever either (a) the additional provisioning requirements assessed by the RBI exceed 15 percent of the published net profits after tax; or (b) the additional Gross NPAs identified by RBI exceed 15 percent of the published incremental Gross NPAs.

As part of its supervisory process for the year ended March 31, 2017, the RBI had pointed out certain modifications in respect of our asset classification of three accounts as on March 31, 2017, as per the table below:

Particulars	**In millions**
Gross NPAs as of March 31, 2017, as reported by us	₹ 58,856.6
Gross NPAs as of March 31, 2017, as assessed by the RBI	79,374.2
Divergence in gross NPAs	₹ **20,517.6**
Net NPAs as of March 31, 2017, as reported by us	18,439.9
Net NPAs as of March 31, 2017, as assessed by the RBI	31,023.6
Divergence in net NPAs	₹ **12,583.7**
Provisions for NPAs as of March 31, 2017, as reported by us	40,416.7
Provisions for NPAs as of March 31, 2017, as assessed by the RBI	48,350.6
Divergence in provisioning	₹ **7,933.9**
Net profit after tax reported for Fiscal Year 2017	145,496.6
Adjusted (notional) net profit after tax for Fiscal Year 2017 after taking into account the divergence in provisioning	140,282.4

In respect of each of these accounts, we were a member of the Joint Lenders' Forum ("**JLF**") formed under the then prevailing regulatory framework for revitalizing distressed assets in the economy. We classified these accounts as NPAs during the year ended March 31, 2018 and made adequate provisions for the said accounts.

In relation to one of the above accounts, we had participated in a project loan which underwent flexible structuring under the then prevailing regulatory framework as approved by the JLF in February 2016. Pursuant to a regulatory communication, in October 2017 we classified this customer account as non-performing with effect from March 2016. The JLF in its meeting on December 30, 2017 received confirmations from all lenders, including us, regarding satisfactory performance of the account during the specified period (post February 2016) including confirmation of nil overdues as on December 30, 2017. Hence, in terms of paragraph 17.2.3 of the RBI Master Circular DBR.No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015, the JLF decided to upgrade the account classification to 'standard'. We accordingly upgraded the account classification to 'standard' in our books. The account continues to remain standard at March 31, 2018.

The following table sets out the position as of March 31, 2018, in relation to the divergence.

Particulars	**In millions**
Gross NPAs as of March 31, 2017	₹ 20,517.6
Upgraded based on the JLF decision	(17,071.8)
Net reductions	(456.1)
Balance gross NPAs as of March 31, 2018	₹ 2,989.7
Specific provisions held for balance gross NPAs as of March 31, 2018	2,690.7
Net NPAs as of March 31, 2018	₹ 299.0

Capital

We are a banking company within the meaning of the Indian Banking Regulation Act, 1949. We are registered with and subject to supervision by the RBI. Failure to meet minimum capital requirements could lead to regulatory actions by the RBI, which, if undertaken, could have a material effect on our financial position. The RBI issued detailed guidelines for implementation of Basel III capital regulations in May 2012. The minimum capital requirements under Basel III are being phased in as per the guidelines prescribed by the RBI. Accordingly, we are required to maintain a minimum Common Equity Tier I ratio of 7.375%, a minimum total Tier I capital ratio of 8.875% and a minimum total capital ratio of 10.875% (each including capital conservation buffer of 1.875%) as of March 31, 2018.

Our regulatory capital and capital adequacy ratios measured in accordance with Indian GAAP and calculated under Basel III as of March 31, 2017 and as of March 31, 2018 are as follows:

	Basel III	
	March 31, 2017	**March 31, 2018**
	(in millions, except percentages)	
Tier 1 capital	₹ 818,293.0	₹ 1,060,049.0
Tier 2 capital	113,026.6	125,354.7
Total capital	**₹ 931,319.6**	**₹ 1,185,403.7**
Total risk weighted assets and contingents	**₹ 6,400,299.3**	**₹ 8,001,259.8**
Capital ratios of the Bank:		
Common Equity Tier 1	12.79%	12.25%
Tier 1	12.79%	13.25%
Total capital	14.55%	14.82%
Minimum capital ratios* required by the RBI:		
Tier 1	8.25%	8.875%
Total capital	10.25%	10.875%

* *The Tier 1 and Total capital ratio includes capital conservation buffer.*

During Fiscal Year 2018, the RBI identified us as a Domestic Systemically Important Bank ("**D-SIB**"), under the bucketing structure as provided in the D-SIB framework. As an identified D-SIB, we are required to maintain additional Common Equity Tier 1 of 0.15% effective April 1, 2018 and will be required to maintain additional Common Equity Tier 1 of 0.20% effective from April 1, 2019.

Capital Expenditure

Our capital expenditures consist principally of expenditures relating to our branch network expansion, as well as investments in our technology and communications infrastructure. Our capital expenditures were ₹ 8.2 billion in Fiscal Year 2016, ₹ 10.7 billion in Fiscal Year 2017, and ₹ 7.7 billion in Fiscal Year 2018.

Our budgeted capital expenditure is primarily to expand our branch and ATM network, to upgrade and expand our hardware, data center, network and other systems, to add new equipment in and expand our existing premises and to relocate our branches and back-offices. We may use the budgeted amounts for other purposes depending on, among other factors the business environment prevailing at the time, and consequently our actual capital expenditures may be higher or lower than our budgeted amounts.

Financial Instruments and Off-Balance Sheet Arrangements

Our foreign exchange and derivative product offerings to our customers cover a range of products, including foreign exchange and interest rate transactions and hedging solutions, such as spot and forward foreign exchange contracts, forward rate agreements, currency swaps, currency options and interest rate derivatives. These transactions enable our customers to transfer, modify or reduce their foreign exchange and interest rate risks. A specified group of relationship managers from our Treasury front office works on such product offerings jointly with the relationship managers from Wholesale Banking.

We enter into forward exchange contracts, currency options, forward rate agreements, currency swaps and rupee interest rate swaps with inter-bank participants, similar to our Wholesale Banking business, where we enter into such transactions with our customers. To support our clients' activities, we are an active participant in the Indian inter-bank foreign exchange market. We also trade, to a more limited extent, for our own account. In addition, we engage in proprietary trades of rupee-based interest rate swaps and use them as part of our asset liability management.

Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. A currency option is a contract where the purchaser of the option has the right but not the obligation to either purchase or sell and the seller of the option agrees to sell or purchase an agreed amount of a specified currency at a price agreed in advance and denominated in another currency on a specified date or by an agreed date in the future. A forward rate agreement is a financial contract between two parties to exchange interest payments for a 'notional principal' amount on a settlement date, for a specified period from a start date to a maturity date. Currency swaps are commitments to exchange cash flows by way of interest in one currency against another currency and exchanges of principal amounts at maturity based on predetermined rates. Rupee interest rate swaps are commitments to exchange fixed and floating rate cash flows in rupees.

We earn profit on customer transactions by way of a margin as a mark-up over the inter-bank exchange or interest rate. We earn profit on inter-bank transactions by way of a spread between the purchase rate and the sale rate. These profits are recorded as income from foreign exchange and derivative transactions. Our Board of Directors imposes limits on our ability to hold overnight positions in foreign exchange and derivatives and the same are intimated to the RBI.

The following table presents the aggregate notional principal amounts of our outstanding foreign exchange and derivative contracts as of the dates indicated below:

	As of March 31,		
	2016	**2017**	**2018**
	(in millions)		
Interest rate derivatives and forward rate agreements	₹ 2,207,376.4	₹ 2,391,507.8	₹ 3,086,773.2
Forward exchange contracts, currency swaps and currency options	5,653,852.8	5,030,862.2	4,740,590.3
Total	**₹ 7,861,229.2**	**₹ 7,422,370.0**	**₹ 7,827,363.5**

Guarantees and Documentary Credits

As a part of our commercial banking activities, we issue documentary credits and guarantees. Documentary credits, such as letters of credit, enhance the credit standing of our customers. Guarantees generally represent irrevocable assurances that we will make payments in the event that the customer fails to fulfill its financial or performance obligations. Financial guarantees are obligations to pay a third-party beneficiary where a customer fails to make payment towards a specified financial obligation. Performance guarantees are obligations to pay a third-party beneficiary where a customer fails to perform a non-financial contractual obligation. The nominal values of guarantees and documentary credits for the dates set forth below were as follows:

	As of March 31,		
	2016	**2017**	**2018**
	(in millions)		
Guarantees	₹ 334,614.8	₹ 369,394.3	₹ 451,505.6
Letters of Credit	317,525.8	359,613.7	395,452.7
Total	₹ **652,140.6**	₹ **729,008.0**	₹ **846,958.3**

Cross border exposures

The RBI requires banks in India to implement RBI prescribed guidelines on country risk management in respect of those countries where a bank has net funded exposure in excess of a prescribed percentage of its total assets. In the normal course of business, we have both direct and indirect exposure to risks related to counterparties and entities in foreign countries. We monitor such cross-border exposures on an ongoing basis. Our aggregate country risk exposure was 3.0% of our total assets as of March 31, 2018 and our net funded exposure to any other country did not exceed 1% of our total assets.

Recent Developments

Preferential Allotment

On July 17, 2018, pursuant to the approval of our Board of Directors at its meeting held on December 20, 2017 and of our shareholders through their resolution dated January 19, 2018, and following receipt of relevant approvals, we undertook a preferential allotment of 39,096,817 Equity Shares to HDFC Limited, at a price of ₹ 2,174.09 per equity share, aggregating to ₹ 84,999,998,871.53 (the "**Preferential Allotment**").

Appointment of Mr. Sanjiv Sachar to the Board of Directors

On July 21, 2018, Sanjiv Sachar was appointed to the Board of Directors as an Additional Director.

Financial and other information for the three months ended June 30, 2018 and the three months ended June 30, 2017

The following discussion of our financial position, results of operations, capital adequacy, distribution network and asset quality as of and for the three months ended June 30, 2018 and June 30, 2017 is based on our standalone results under Indian GAAP. As such, you should not place undue reliance on this information. This information may not be indicative of the remainder of fiscal year or any future period. See "Forward-Looking Statements" and "Risk Factors" for a more complete discussion of certain of the factors that could affect our future performance.

Financial Results

Profit & Loss Account: Three months ended June 30, 2018 and June 30, 2017

The Bank's total income for the three months ended June 30, 2018 at ₹ 263,670.4 million grew by 18.8% from ₹ 221,853.8 million for the three months ended June 30, 2017. Net revenues (net interest income plus other income) increased to ₹ 146,316.3 million for the three months ended June 30, 2018 from ₹ 128,874.0 million in the corresponding three-month period of the previous year. Net interest income (interest earned less interest expended) for the three months ended June 30, 2018 grew by 15.4% to ₹ 108,135.7 million, from ₹ 93,707.4 million for the three months ended June 30, 2017, driven by asset growth and a net interest margin of 4.2%.

Other income (non-interest revenue) for the three months ended June 30, 2018 was ₹ 38,180.6 million. Fees and commission income at ₹ 31,710.4 million for the three months ended June 30, 2018 constituted 83.1% of other income and grew by 23.0% over ₹ 25,781.0 million in the corresponding three months ended June 30, 2017. The other three components of other income for the three months ended June 30, 2018 were foreign exchange and derivatives revenue of ₹ 4,995.6 million (₹ 2,968.3 million for the corresponding three-month period of the previous year), loss on revaluation/sale of investments of ₹ 2,832.3 million (gain of ₹ 3,314.0 million for the corresponding three-month period of the previous year) and miscellaneous income, including recoveries and dividend, of ₹ 4,306.9 million (₹ 3,103.3 million for the corresponding three-month period of the previous year). The RBI in its circular dated June 15, 2018 granted banks an option to spread provisioning for mark to market losses on investments held in "available for sale" and "held for trading" categories for the three months ended June 30, 2018 equally over four quarters. The Bank has chosen not to avail of this option and has recognized the entire mark to market loss of ₹ 3,910.4 million in the three months ended June 30, 2018. The loss was primarily attributable to the corporate bond portfolio, which has a modified duration of 1.6.

Operating expenses for the three months ended June 30, 2018 were ₹ 59,838.8 million, an increase of 11.5% over ₹ 53,674.6 million during the corresponding three-month period of the previous year. The core cost-to-income ratio (ratio of operating expenses to net revenue excluding profit and loss on revaluation/ sale of investments) was at 40.1% as against 42.7% for the corresponding three months ended June 30, 2017.

Provisions (other than tax) and contingencies for the three months ended June 30, 2018 were ₹ 16,293.7 million as against ₹ 15,587.6 million for the three months ended June 30, 2017. The key components therein for the three months ended June 30, 2018 were specific loan loss provisions of ₹ 14,322.2 million (as against ₹ 13,431.9 million for the corresponding three-month period of the previous year) and general provisions of ₹ 1,832.2 million (as against ₹ 2,063.2 million for the corresponding three-month period of the previous year).

Profit from ordinary activities before tax for the three months ended June 30, 2018 was up from ₹ 59,611.8 million in the three months ended June 30, 2017 to ₹ 70,183.8 million. Excluding profit and loss on revaluation/sale of investments, profit before tax growth would be 29.7% over the corresponding three-month period of the previous year.

After providing ₹ 24,169.4 million of tax expense, the Bank earned a net profit for the period of ₹ 46,014.4 million, an increase of 18.2% over the three months ended June 30, 2017.

Balance Sheet: As of June 30, 2018 and June 30, 2017

Total balance sheet size as of June 30, 2018 was Rs.10,804,090.9 million as against Rs.8,956,530.6 million as of June 30, 2017.

Total deposits as of June 30, 2018 were ₹ 8,057,853.2 million, an increase of 20.0% over June 30, 2017. As of June 30, 2018 current account deposits were at ₹ 1,092,972.0 million and savings account deposits at ₹ 2,266,562.4 million grew by 17.4% over June 30, 2017. Time deposits were at ₹ 4,698,318.8 million, an increase of 24.9% over the previous year, resulting in CASA (current accounts and savings accounts) deposits comprising 41.7% of total deposits as of June 30, 2018.

Total advances as of June 30, 2018 were ₹ 7,086,486.9 million, an increase of 22.0% over June 30, 2017. This loan growth was contributed by both segments of the Bank's loan portfolio with the domestic loan mix between retail:wholesale at 55:45. As per regulatory Basel II segment classification, retail loans grew by 21.6% and wholesale loans grew by 22.7%.

Capital Adequacy as of June 30, 2018 and June 30, 2017

The Bank's total Capital Adequacy Ratio (CAR) as per Basel III guidelines was at 14.6% as of June 30, 2018 (15.6% as of June 30, 2017) as against a regulatory requirement of 11.025% which includes Capital Conservation Buffer of 1.875% and an additional requirement of 0.15% on account of the Bank being identified as a Domestic Systemically Important Bank (D-SIB).

Tier I CAR was at 13.1% as of June 30, 2018 compared to 13.6% as of June 30, 2017. CET-I ratio was at 12.1% as of June 30, 2018. Risk-weighted Assets were at ₹ 8,448,943.3 million as of June 30, 2018 (as against ₹ 6,903,701.7 million as at June 30, 2017).

Network

As of June 30, 2018, the Bank's distribution network was at 4,804 banking outlets and 12,808 ATMs as against 4,727 banking outlets and 12,220 ATMs as of June 30, 2017. Of the total banking outlets, 53% are in semi-urban and rural areas. Number of employees were at 89,550 as of June 30, 2018 (as against 83,757 as of June 30, 2017).

Asset Quality

Gross non-performing assets were at 1.33% of gross advances as of June 30, 2018, as against 1.24% as of June 30, 2017. Coverage ratio (specific provisions as a percentage of gross non-performing assets) as of June 30, 2018 was 69.5%. Net non-performing assets were at 0.41% of net advances as of June 30, 2018. The Bank held floating provisions of ₹ 14,512.8 million as of June 30, 2018. Total provisions (comprising specific provisions, general provisions and floating provisions) were 118.0% of the gross non-performing assets as of June 30, 2018.

SELECTED STATISTICAL INFORMATION

The following unaudited information should be read together with our unconsolidated financial statements, including the notes thereto, and the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Preliminary Placement Document. Footnotes appear at the end of each related section of tables where applicable.

We prepare our financial statements in accordance with Indian GAAP and all amounts presented in this section are in accordance with Indian GAAP. The financial statements reflect applicable statutory requirements and regulatory guidelines and accounting practices in India. These requirements, guidelines and practices change from time to time and, in accordance with Indian GAAP, adjustments to reflect such changes are made on a prospective basis and the financial statements for earlier periods are not restated. For the purposes of a comparative analysis in the discussion below, previous periods' figures have been reclassified wherever necessary.

Average Balance Sheet

The table below presents the average balances for interest-earning assets and interest-bearing liabilities together with the related interest income and expense amounts, resulting in the presentation of the average yields and cost for the periods indicated.

Average Balance: The average balance is the daily average of balances outstanding.

Average Yield on Average Interest-Earning Assets: The average yield on average interest-earning assets is the ratio of interest income to average interest-earning assets.

Average Cost on Average Interest-Bearing Liabilities: The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. For purposes of calculating spread, interest-bearing liabilities include non-interest bearing demand deposits.

Average Balance of Advances: The average balances of advances are net of average balances of bills re-discounted ("**BRDS**") and bank risk participation ("**IBPC**"), consistent with our balance sheet presentation, as mandated by the RBI. Accordingly, interest expended on BRDS and IBPC transactions is netted off from interest income on advances for the purposes of the information on average yield/cost. The interest expended on these transactions is included under interest expense on borrowings in our financial statements for each of the periods presented.

	Year ended March 31,								
	2016			**2017**			**2018**		
	Average balance	**Interest income/ expense**	**Average yield/cost (%)**	**Average balance**	**Interest income/ expense**	**Average yield/cost (%)**	**Average balance**	**Interest income/ expense**	**Average yield/cost (%)**
	(₹ in million, except percentages)								
Interest-earning assets:									
Advances	4,049,552.4	446,906.2	11.0%	4,842,106.0	518,715.0	10.7%	5,987,928.0	616,301.1	10.3%
Investments	1,830,684.8	141,200.3	7.7%	2,160,865.0	159,443.4	7.4%	2,278,583.3	162,223.7	7.1%
Others	239,099.4	12,735.6	5.3%	277,100.9	13,063.6	4.7%	283,244.9	13,571.9	4.8%
Total interest-earning assets	**6,119,336.6**	**600,842.1**	**9.8%**	**7,280,071.9**	**691,222.0**	**9.5%**	**8,549,756.2**	**792,096.7**	**9.3%**
Non-interest-earning assets:									
Fixed assets	32,498.4	-	-	35,351.5	-	-	35,986.5	-	-
Other assets	357,041.0	-	-	428,911.6	-	-	473,339.9	-	-
Total non-interest earning assets	**389,539.4**	**-**	**-**	**464,263.1**	**-**	**-**	**509,326.4**	**-**	**-**
Total assets	**6,508,876.0**	**600,842.1**	**9.2%**	**7,744,335.0**	**691,222.0**	**8.9%**	**9,059,082.6**	**792,096.7**	**8.7%**
Interest-bearing liabilities:									
Deposits	4,928,169.3	291,782.9	5.9%	5,843,709.8	313,314.6	5.4%	6,800,210.9	327,713.5	4.8%
Borrowings	644,819.6	33,144.1	5.1%	801,692.5	46,515.2	5.8%	948,427.9	63,434.6	6.7%
Total interest-bearing liabilities	**5,572,988.9**	**324,927.0**	**5.8%**	**6,645,402.3**	**359,829.8**	**5.4%**	**7,748,638.8**	**391,148.1**	**5.0%**
Non-interest-bearing liabilities:									
Capital and reserves	684,423.6	-	-	806,569.0	-	-	959,717.6	-	-

	Year ended March 31,								
	2016			2017			2018		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
	(₹ in million, except percentages)								
Other liabilities	251,463.5	-	-	292,363.7	-	-	350,726.2	-	-
Total non-interest-bearing liabilities	**935,887.1**	**-**	**-**	**1,098,932.7**	**-**	**-**	**1,310,443.8**	**-**	**-**
Total liabilities	**6,508,876.0**	**324,927.0**	**5.0%**	**7,744,335.0**	**359,829.8**	**4.6%**	**9,059,082.6**	**391,148.1**	**4.3%**

Analysis of Changes in Interest Income and Interest Expense

The following table sets forth, for the periods indicated, the allocation of the changes in our interest income and interest expense between average balance and average rate. The changes in net interest income between periods have been reflected as attributed either to average balance or average rate changes. For purposes of the below tables, changes which are due to both average balance and average rate have been allocated solely to changes in average rate.

	Fiscal Year 2017 vs. Fiscal Year 2016			Fiscal Year 2018 vs. Fiscal Year 2017		
		Increase (decrease) due to			Increase (decrease) due to	
	Net change	Change in average balance	Change in average rate	Net change	Change in average balance	Change in average rate
	(₹ in million)					
Interest income:						
Advances	71,808.8	87,180.9	(15,372.1)	97,586.1	122,603.0	(25,016.9)
Investments..................	18,243.1	25,423.9	(7,180.8)	2,780.3	8,711.2	(5,930.9)
Others	328.0	2,014.1	(1,686.1)	508.3	288.8	219.5
Total interest income ..	**90,379.9**	**114,618.9**	**(24,239.0)**	**100,874.7**	**131,603.0**	**(30,728.3)**
Interest expense:						
Deposits.......................	21,531.7	54,016.9	(32,485.2)	14,398.9	51,651.1	(37,252.2)
Borrowings	13,371.1	8,000.5	5,370.6	16,919.4	8,510.7	8,408.7
Total interest expense .	**34,902.8**	**62,017.4**	**(27,114.6)**	**31,318.3**	**60,161.8**	**(28,843.5)**
Net interest income	**55,477.1**	**52,601.5**	**2,875.6**	**69,556.4**	**71,441.2**	**(1,884.8)**

Yields, Spreads and Margins

The following table sets forth, for the periods indicated, the yields, spreads and interest margins on our interest-earning assets.

	Year ended March 31,		
	2016	2017	2018
	(₹ in million, except percentages)		
Average interest-earning assets	6,119,336.6	7,280,071.9	8,549,756.2
Average interest-bearing liabilities	5,572,988.9	6,645,402.3	7,748,638.8
Average total assets/liabilities	6,508,876.0	7,744,335.0	9,059,082.6
Average interest-earning assets as a percentage of average total assets	94.0%	94.0%	94.4%
Average interest-bearing liabilities as a percentage of average total assets	85.6%	85.8%	85.5%
Average interest-earning assets as a percentage of average interest-bearing liabilities	109.8%	109.6%	110.3%
Yield on average interest-earning assets(1)	9.8%	9.5%	9.3%
Cost of funds(2)	5.8%	5.4%	5.0%
Spread(3)	4.0%	4.1%	4.3%
Net interest margin(4)	4.2%	4.3%	4.4%

Notes:

1. Yield on average interest earning assets is calculated as the ratio of interest income to average interest-earning assets.

2. Cost of funds is the ratio of interest expense to average interest-bearing liabilities. For the purposes of calculating cost of funds, interest-bearing liabilities include non-interest bearing current account deposits.

3. Spread is the difference between yield on average interest-earning assets and cost of average interest bearing liabilities/ cost of funds.

4. Net interest margin is the ratio of interest income less interest expense to average total assets.

Return on Equity and Assets

The following table presents selected financial ratios for the periods indicated.

	Year ended March 31,		
	2016	**2017**	**2018**
	(₹ in million, except percentages)		
Net profit	122,962.1	145,496.4	174,867.3
Average total assets	6,508,876.0	7,744,335.0	9,059,082.6
Average total shareholders' equity(1)	684,423.6	806,569.0	959,717.6
Return on assets (net profit as a percentage of average total assets)	1.9%	1.9%	1.9%
Return on equity (net profit as a percentage of average total shareholders' equity)	18.0%	18.0%	18.2%
Average total shareholders' equity as a percentage of average total assets	10.5%	10.4%	10.6%
Dividend payout-ratio(2)	23.5%	23.3%	23.3%

Notes:

1. Shareholders' equity is comprised of share capital and reserves and surplus.

2. Represents the ratio of total proposed dividends on equity shares relating to each Fiscal Year, including the dividend distribution tax, as a percentage of net profit of that year. See "*Dividend Policy*".

Investment Portfolio

The following tables set forth, as of the dates indicated, information related to our investments classified under the held to maturity (HTM), available for sale (AFS) and held for trading (HFT) categories:

	At March 31, 2016				At March 31, 2017				At March 31, 2018			
	HTM	AFS	HFT	Total	HTM	AFS	HFT	Total	HTM	AFS	HFT	Total
	(₹ in million)											
Government Securities	1,060,041.4	462,128.3	54,441.0	1,576,610.7	1,250,680.9	356,142.7	17,363.4	1,624,187.0	1,370,429.8	492,723.2	24,713.8	1,887,866.8
Other Approved Securities	-	-	-	-	-	-	-	-	-	-	-	-
Shares	-	767.4	-	767.4	-	1,142.1	-	1,142.1	-	1,226.3	-	1,226.3
Debentures and bonds	5,000.0	42,823.1	14,749.0	62,572.1	13,000.0	175,504.2	17,346.1	205,850.3	14,206.7	294,664.8	50,231.5	359,103.0
Joint Venture & Subsidiaries	27,829.6	-	-	27,829.6	38,433.2	-	-	38,433.2	38,264.9	-	-	38,264.9
Others*	-	290,583.0	-	290,583.0	-	275,020.8	-	275,020.8	37.5	55,446.8	80,057.2	135,541.5
Total	**1,092,871.0**	**796,301.8**	**69,190.0**	**1,958,362.8**	**1,302,114.1**	**807,809.8**	**34,709.5**	**2,144,633.4**	**1,422,938.9**	**844,061.1**	**155,002.5**	**2,422,002.5**

* Includes our investments in certificate of deposits, commercial paper, units of mutual funds, pass through certificates and security receipts.

Residual Maturity Profile

The following table sets forth, for the periods indicated, an analysis of the residual maturity profile of our government and debt securities and their market yields.

	At March 31, 2018							
	Up to one year		One to five years		Five to ten years		More than ten years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
	(₹ in million, except percentages)							
Government Securities	483,702.5	6.2	319,197.3	7.1	741,319.0	7.4	343,648.0	7.7
Other Debt Securities	99,520.1	7.4	272,413.2	7.9	20,316.2	8.4	433.4	8.1
Total	**583,222.6**	**6.4**	**591,610.5**	**7.5**	**761,635.2**	**7.4**	**344,081.4**	**7.7**

Funding

Our funding operations are designed to ensure stability, low cost of funding and effective liquidity management. The primary source of funding is deposits raised from retail customers, which were 74.0% of total deposits as of March 31, 2018 and 79.4% of total deposits as of March 31, 2017. Wholesale banking deposits represented 26.0% of total deposits as of March 31, 2018 and 20.6% as of March 31, 2017.

Total Deposits

The following table sets forth, for the periods indicated, our outstanding deposits and the percentage composition by each category of deposits. The average cost of deposits was 5.9% in Fiscal Year 2016, 5.4% in Fiscal Year 2017, 4.8% in Fiscal Year 2018. The outstanding deposits for the periods set forth are as follows:

	At March 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(₹ in million, except percentages)					
Demand deposits	884,246.7	16.2%	1,155,738.6	18.0%	1,192,825.8	15.1%
Savings deposits	1,478,861.8	27.1%	1,935,786.3	30.0%	2,238,102.1	28.4%
Time deposits	3,101,133.4	56.7%	3,344,871.7	52.0%	4,456,778.5	56.5%
Total	**5,464,241.9**	**100.0%**	**6,436,396.6**	**100.0%**	**7,887,706.4**	**100.0%**

Short-term Borrowings

The following table sets forth, for the periods indicated, information related to our short-term borrowings, which are comprised primarily of money-market borrowings. Short-term borrowings include securities sold under repurchase agreements with market participants and the RBI.

	Year ended March 31,		
	2016	2017	2018
	(₹ in million, except percentages)		
Period end	498,463.7	226,465.6	590,068.8
Average balance during the period	313,050.4	348,744.3	318,685.1
Average interest rate during the period(1)	3.8%	4.7%	4.6%
Average interest rate at period end(2)	5.2%	2.9%	4.4%

Notes:

1. Represents the ratio of interest expense on short-term borrowings to the average of daily balances of short-term borrowings.

2. Represents the weighted average rate of short-term borrowings outstanding as of March 31, 2016, 2017 and 2018.

Subordinated Debt

We also obtain funds from the issuance of unsecured non-convertible subordinated debt securities, which qualify as Tier 1 or Tier 2 risk-based capital under the RBI's guidelines for assessing capital adequacy. Subordinated debt (Lower Tier 2 capital), Upper Tier 2 capital and Innovative Perpetual Debt Instruments outstanding as on March 31, 2018 are ₹ 104.3 billion (as of March 31, 2017: ₹ 104.0 billion), ₹ 26.8 billion (as of March 31, 2017: ₹ 27.8 billion), and ₹ 80.0 billion (as of March 31, 2017: nil), respectively. The breakup of the same is shown hereunder:

Type	Currency	Year of issue	Year of maturity	Average tenor (years)	Interest rate (%)	Year of call	Step-up rate (%)	Face value (₹ in billion)
Lower Tier II	INR	2008-09	2018-19	10.0	9.75	—	—	1.50

Type	Currency	Year of issue	Year of maturity	Average tenor (years)	Interest rate (%)	Year of call	Step-up rate (%)	Face value (₹ in billion)
Lower Tier II	INR	2008-09	2018-19	10.0	10.70	—	—	11.50
Lower Tier II	INR	2011-12	2026-27	15.0	9.48	2021-22	—	36.50
Lower Tier II	INR	2012-13	2027-28	15.2	9.45	2022-23	—	34.77
Lower Tier II	INR	2017-18	2027-28	10.0	7.56	—	—	20.0
Upper Tier II	INR	2008-09	2023-24	15.0	10.85	2018-19	11.35	5.78
Upper Tier II	INR	2008-09	2023-24	15.0	9.95	2018-19	10.45	2.00
Upper Tier II	INR	2008-09	2023-24	15.0	9.85	2018-19	10.35	7.97
Upper Tier II	INR	2010-11	2025-26	15.0	8.70	2020-21	9.20	11.05
Perpetual Bond	INR	2017-18			8.85	2022-23	—	80.00

We have a right to redeem certain of the issuances as noted above under "year of call." If not called, the interest rate increases to the step-up rate.

Interest Coverage Ratio

The following table sets forth information with respect to our interest coverage ratio for the years ended March 31, 2016, 2017 and 2018. This ratio is typically used to measure the debt servicing ability of a traditional corporate entity and is generally not relevant to a banking entity:

		Years ended March 31,		
		2016	**2017**	**2018**
		(₹ in million, except percentages)		
(i)	Net profit	122,962.1	145,496.4	174,867.3
(ii)	Depreciation on Bank's property	7,058.4	8,331.2	9,063.4
(iii)	Interest expended	326,299.4	361,667.4	401,464.9
(iv)	**Total [(i)+(ii)+(iii)]**	**456,319.9**	**515,495.0**	**585,395.6**
(v)	Interest coverage ratio [(iv) ÷ (iii)]	139.8%	142.5%	145.8%

Asset Liability Gap

The following table sets forth, for the periods indicated, our asset-liability gap position:

	As of March 31, 2018								
	0-28 Days	**29-90 days**	**91-180 days**	**6-12 months**	**Total within one year**	**Over 1 year to 3 years**	**Over 3 years to 5 years**	**Over 5 years**	**Total**
	(₹ in million, except percentages)								
Cash and balances with Reserve Bank of India	763,733.4	28,560.9	29,027.8	44,628.1	**865,950.2**	120,659.0	6,013.0	54,082.5	**1,046,704.7**
Balances with banks and money at call and short notice	177,021.2	1,325.9	3,910.5	-	**182,257.6**	25.3	2.0	161.2	**182,446.1**
Investments	725,704.8	178,298.9	164,096.2	242,043.6	**1,310,143.5**	705,570.6	99,612.9	306,675.4	**2,422,002.4**
Advances	462,044.0	531,298.0	541,808.1	738,354.8	**2,273,504.9**	3,095,750.8	677,503.1	536,572.1	**6,583,330.9**
Fixed assets	-	-	-	-	-	-	-	36,072.1	**36,072.1**
Other assets	44,548.4	29,889.9	28,871.3	19,887.0	**123,196.6**	183,818.5	40,479.5	21,292.4	**368,787.0**
Total assets	**2,173,051.8**	**769,373.6**	**767,713.9**	**1,044,913.5**	**4,755,052.8**	**4,105,824.2**	**823,610.5**	**954,855.7**	**10,639,343.2**
Capital	-	-	-	-	-	-	-	5,190.2	**5,190.2**
Reserves and surplus	-	-	-	-	-	-	-	1,057,759.8	**1,057,759.8**
Deposits	751,206.4	725,278.1	739,886.1	1,115,690.4	**3,332,061.0**	3,102,545.5	147,337.3	1,305,762.6	**7,887,706.4**
Borrowings	258,981.1	71,717.1	198,219.3	176,651.3	**705,568.8**	183,946.4	171,784.5	169,750.0	**1,231,049.7**

	As of March 31, 2018								
	0-28 Days	29-90 days	91-180 days	6-12 months	Total within one year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Other liabilities and provisions	202,480.7	28,499.0	3,241.4	3,834.8	**238,055.9**	174,869.5	20.2	44,691.5	**457,637.1**
Total liabilities	**1,212,668.2**	**825,494.2**	**941,346.8**	**1,296,176.5**	**4,275,685.7**	**3,461,361.4**	**319,142.0**	**2,583,154.1**	**10,639,343.2**
Liquidity gap	960,383.6	(56,120.6)	(173,632.9)	(251,263.0)	**479,367.1**	644,462.8	504,468.5	(1,628,298.4)	-
Cumulative liabilities gap	960,383.6	904,263.0	730,630.1	479,367.1	**479,367.1**	1,123,829.9	1,628,298.4	-	
Cumulative liabilities	1,212,668.2	2,038,162.4	2,979,509.2	4,275,685.7	**4,275,685.7**	7,737,047.1	8,056,189.1	10,639,343.2	
Cumulative liquidity gap as a percentage of cumulative liabilities	79.2%	44.4%	24.5%	11.2%	**11.2%**	14.5%	20.2%	-	

Note: Assets and liabilities are classified into the applicable maturity categories based on residual maturity in accordance with the Asset Liability Management guidelines issued by the RBI.

Loan Portfolio

As of March 31, 2018, our gross loan portfolio amounted to ₹6,642.5 billion. Almost all our gross loans are to borrowers in India and over 90% are denominated in rupees.

The following table sets forth, for the periods indicated, our gross loan portfolio (including loans made by our overseas branches) classified by product group. Loans are classified into retail based on the criteria of orientation, the nature of the product, granularity of the exposure and quantum thereof as laid down by the Basel committee. For a description of our retail and wholesale loan products, see the "Business" section.

	At March 31,		
	2016	**2017**	**2018**
	(₹ in million)		
Auto loans	501,989.9	620,517.1	764,266.2
Personal loans / Credit Cards	577,207.4	760,623.6	1,079,905.9
Retail business banking	256,221.6	366,441.2	548,754.0
Commercial vehicle and construction equipment finance	147,812.8	193,110.5	234,008.5
Housing loans	318,438.2	383,645.1	362,575.0
Other retail loans	681,520.5	627,267.6	772,165.0
Gross retail loans	**2,483,190.4**	**2,951,605.1**	**3,761,674.6**
Gross wholesale loans	**2,192,603.4**	**2,634,061.3**	**2,880,868.8**
Total gross loans	**4,675,793.8**	**5,585,666.4**	**6,642,543.4**

Maturity and Interest Rate Sensitivity of Loans

The following tables set forth, the maturity and interest rate sensitivity of our loans as of March 31, 2018:

	At March 31, 2018		
	Due in one year or less	**Due in one to five years**	**Due after five years**
	(₹ in million)		
Interest rate classification of loans by maturity:			
Fixed rates	2,005,880.1	2,141,610.6	2,473.6
Variable rates	267,624.8	1,655,302.1	569,652.2

Gross loans	**2,273,504.9**	**3,796,912.7**	**572,125.8**

Concentration of Loans

Pursuant to the guidelines of the RBI, our exposure to individual borrowers is limited to 15% of our capital funds (as defined by the RBI and calculated under Indian GAAP), and our exposure to a group of companies under the same management is limited to 40% of our capital funds. In the case of infrastructure projects, such as power, telecommunications, road and port projects, an additional exposure of up to 5% of capital funds is allowed in respect of individual borrowers and up to 10% in respect of group borrowers. We may, in exceptional circumstances, with the approval of our Board of Directors, consider enhancement of exposure to a borrower by a further 5% of capital funds.

The following table sets forth, for the periods indicated, our gross loans outstanding by the borrower's industry or economic activity and as a percentage of our gross loans (where such percentage exceeds 2.0% of the total).

	At March 31,					
	2016#		2017#		2018*	
	(₹ in million, except percentages)					
Consumer Loans	1,195,470.7	25.6%	1,526,890.4	27.3%	1,947,986.9	29.1%
Agriculture Production - Food	240,471.9	5.1%	276,284.6	4.9%	314,825.8	4.7%
Retail trade	205,785.9	4.4%	241,573.6	4.3%	295,765.6	4.4%
Consumer Services	185,581.7	4.0%	250,741.9	4.5%	284,533.2	4.3%
Automobile & Auto Ancillary	192,930.8	4.1%	232,192.4	4.2%	278,494.7	4.2%
Road Transportation	144,189.8	3.1%	187,253.4	3.4%	215,391.6	3.2%
NBFC/Financial Intermediaries	144,986.4	3.1%	190,131.4	3.4%	214,432.2	3.2%
Real Estate & Property Services	100,721.9	2.2%	149,907.5	2.7%	213,911.8	3.2%
Business Services	112,333.5	2.4%	155,304.5	2.8%	200,167.4	3.0%
Agriculture Production - Non Food	165,144.5	3.5%	201,402.3	3.6%	198,629.0	3.0%
Food & Beverage	129,268.1	2.8%	141,996.5	2.5%	188,364.0	2.8%
Wholesale Trade - Non Industrial	104,978.2	2.2%	129,253.8	2.3%	172,010.1	2.6%
Wholesale Trade - Industrial	127,521.1	2.7%	138,660.1	2.5%	163,979.1	2.4%
Agriculture - Allied	114,481.2	2.4%	115,934.4	2.1%	143,219.3	2.1%
Power	103,178.1	2.2%	124,872.5	2.2%	-	-
Agriculture Produce Trade	107,827.7	2.3%	115,654.5	2.1%	-	-
Others (including unclassified retail)	1,300,922.3	27.8%	1,407,612.6	25.2%	1,862,832.7	27.8%
Total	**4,675,793.8**	**100.0%**	**5,585,666.4**	**100.0%**	**6,694,543.4**	**100.0%**

** For the purpose of the above table, bills rediscounted of ₹ 52 billion as at March 31, 2018 has been included in gross loans.*
 # Nil bills rediscounting transactions were outstanding as at March 31, 2017 and as at March 31, 2016.

As of March 31, 2018, our 10 largest exposures totaled approximately ₹ 674.5 billion and represented 72.4% of our capital funds as per RBI guidelines. As of that date, the largest group of companies under the same management control accounted for 32.9% of our capital funds as per RBI guidelines.

Directed Lending

The RBI has established guidelines requiring Indian banks to lend to certain sectors called "priority sectors" 40% of their adjusted net bank credit ("**ANBC**"), as computed in accordance with RBI guidelines, or the credit equivalent amount of off balance sheet exposures, whichever is higher, as of March 31 of the previous Fiscal Year. Priority sectors are broadly comprised of agriculture, micro and small enterprises ("**MSEs**"), including retail trade, micro credit, education and housing, subject to certain limits.

We are required to comply with the priority sector lending ("**PSL**") requirements as of March 31 of each Fiscal Year, a date specified by the RBI for reporting. From Fiscal Year 2017, the assessment of whether we have achieved the PSL requirements is made at the end of the financial year based on the average of priority sector target /sub-target achievement as at the end of each quarter. Accordingly, on the basis of average calculation, the bank's total PSL achievement for Fiscal Year 2018 stood at 41.2%.

However, in Fiscal Year 2018 agricultural loans made to small and marginal farmers were 7.3% of ANBC, against the requirement of 8.0%, with a shortfall of ₹ 32.7 billion, and advances to sections termed "weaker" by the RBI were 10.2% against the requirement of 10.0%. The PSL master circular mentions that Scheduled Commercial Banks having any shortfall in lending to priority sector shall be allocated amounts for contribution to the Rural Infrastructure Development Fund ("**RIDF**") established with NABARD and other Funds with NABARD, NHB, SIDBI or MUDRA Ltd., as decided by the RBI from time to time.

We may be required by the RBI to deposit with the Indian Development Banks certain amounts as specified by the RBI in the coming year due to the shortfall in certain sub-categories of priority sector lending targets. As of March 31, 2018, our total investments as directed by the RBI in such deposits were ₹ 133.6 billion yielding returns ranging from 4.3% to 8.3%

The following table sets forth, for the periods indicated, our priority sector lending broken down by sector:

	At March 31,		
	2016	**2017**	**2018**
	(₹ in million)		
Priority sector lending:			
Agriculture	652,509.5	761,672.2	1,067,351.1
Micro and small enterprises	650,578.3	732,664.8	811,597.0
Other	296,892.0	304,733.4	293,317.5
Total priority sector lending	**1,599,979.8**	**1,799,070.4**	**2,172,265.6**

Non-Performing Assets

Recognition of Non-Performing Assets

The RBI has issued guidelines on income recognition, asset classification, provisioning standards and the valuation of investments applicable to banks, which are revised from time to time. The principal features of the RBI guidelines are set forth below.

An asset, including a leased asset, becomes non-performing once it ceases to generate income for the bank.

The RBI guidelines stipulate the criteria for determining and classifying a non-performing asset (NPA). A NPA is a loan or an advance where:

- interest and/or an installment of principal remains overdue (as defined below) for a period of more than 90 days in respect of a term loan;
- the account remains "out-of-order" (as defined below) in respect of an overdraft or cash credit for more than 90 days;
- the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted;
- in the case of a loan granted for short duration crops, the installments of principal or interest thereon remain overdue for two crop seasons;
- in the case of a loan granted for long duration crops, the installments of principal or interest thereon remain overdue for one crop season;
- the amount of a liquidity facility remains outstanding for more than 90 days, in respect of securitization transactions undertaken in accordance with the RBI guidelines on securitization; or

- in respect of derivative transactions, the overdue receivables representing the positive mark-to-market value of a derivative contract, remain unpaid for a period of 90 days from the specified due date for payment.

Banks should classify an account as a NPA if the interest imposed during any quarter is not fully repaid within ninety days from the end of the relevant quarter. For additional information on RBI guidelines regarding classification of NPAs into categories, please refer to the section "Supervision and Regulation".

"Overdue"

Any amount due to the bank under any credit facility is "overdue" if it is not paid on the due date fixed by the bank.

"Out-of-Order" Status

An account should be treated as "out-of-order" if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In circumstances where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but (i) there are no credits continuously for a period of 90 days as on the date of the balance sheet of the bank or (ii) the credits are not sufficient to cover the interest debited during the same period, these accounts should be treated as "out-of-order".

The following table sets forth, for the periods indicated, information about our NPAs:

	As of March 31,		
	2016	**2017**	**2018**
	(₹ in million, except percentages)		
Gross NPAs	43,928.3	58,856.6	86,069.7
Provisions for NPAs	30,724.6	40,416.7	60,059.5
Net NPAs	13,203.7	18,439.9	26,010.2
Gross advances	**4,675,793.8**	**5,585,666.4**	**6,642,543.4**
Net advances	4,645,939.6	5,545,682.0	6,583,330.9
Gross NPAs as a percentage of gross advances	0.94%	1.05%	1.30%
Net NPAs as a percentage of net advances	0.28%	0.33%	0.40%
Provisions for NPAs as a percentage of gross NPAs	69.94%	68.67%	69.78%

As of March 31, 2018, our top ten largest NPAs represented 13.3% of our gross non-performing assets.

Classification of Non-Performing Assets

As per RBI guidelines, banks are required to classify their NPAs into substandard, doubtful and loss asset categories.

Substandard assets

A substandard asset is one which has remained a NPA for a period less than or equal to 12 months. In such cases, the current net worth of the borrower / guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full. In other words, such an asset will have well defined credit weaknesses that jeopardize the liquidation of the debt and are characterised by the distinct possibility that banks will sustain some loss, if deficiencies are not corrected.

Doubtful assets

A doubtful asset is one which has remained a NPA for a period exceeding 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

Loss assets

A loss asset is one where loss has been identified by the Bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

The following table sets forth, for the periods indicated, the classification of our gross NPAs in accordance with the RBI guidelines:

	At March 31,		
	2016	**2017**	**2018**
	(₹ in million)		
Substandard	24,661.3	32,408.0	48,328.2
Doubtful	13,740.1	17,283.0	27,113.6
Loss	5,526.9	9,165.6	10,627.9
Gross NPAs	**43,928.3**	**58,856.6**	**86,069.7**

Provisioning Policy for Non-Performing Assets

Specific loan loss provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of wholesale and retail advances, subject to the minimum provisioning level prescribed by the RBI. The specific provision levels for retail NPAs are also based on the nature of product and delinquency levels. In relation to non-performing derivative contracts, as per the extant RBI guidelines, we make provision for the entire amount of overdue and future receivables relating to positive marked to market value of the said derivative contracts.

Provisions for substandard, doubtful and loss asset categories are required to be made as per the RBI guidelines described below. These provisioning requirements are the minimum provisions that have to be made in accordance with the RBI guidelines.

Substandard assets

A general provision of 15.0% on total outstanding loans is required without making any allowance for the Export Credit Guarantee Corporation of India guarantee cover and securities available. The unsecured exposures which are identified as sub-standard are subject to an additional provision of 10.0% (i.e. a total of 25.0% on the outstanding balance). However, unsecured loans classified as sub-standard, where certain safeguards such as escrow accounts are available, are subject to an additional provision of only 5.0% (i.e. a total of 20.0% on the outstanding balance).

Doubtful assets

A 100.0% provision is made against the unsecured portion of the doubtful asset. The value assigned to the collateral securing a loan is the realizable value determined by third party appraisers. In cases where there is a secured portion of the asset, depending upon the period for which the asset remains doubtful, a 25.0% to 100.0% provision is required to be made against the secured asset as follows:

- Up to one year: 25.0% provision.
- One to three years: 40.0% provision.
- More than three years: 100.0% provision.

Loss assets

The entire asset is required to be written off or 100.0% of the outstanding amount is required to be provided for.

Analysis of Non-Performing Loans by Industry Sector

The following table sets forth, for the periods indicated, our non-performing loans by borrowers' industry or economic activity in each of the respective periods and as a percentage of our loans in the respective industry or economic activity sector.

	March 31, 2016			March 31, 2017			March 31, 2018		
Industry	Gross Loans	Non-Performing Loans	Non-performing loans as a % of loans in industry	Gross Loans	Non-Performing Loans	Non-performing loans as a % of loans in industry	Gross Loans	Non-Performing Loans	Non-performing loans as a % of loans in industry
	(₹ in million, except percentages)								
Glass & Glass Products	8,054.0	3.0	0.0%	10,126.1	4.7	0.0%	9,874.1	1,962.2	19.9%
Paper, Printing & Stationery	26,246.1	173.0	0.7%	28,650.5	1,622.0	5.7%	33,711.4	1,575.4	4.7%
Agriculture - Allied	114,481.2	2,883.7	2.5%	115,934.4	3,033.4	2.6%	143,219.3	5,843.2	4.1%
Agriculture Production - Food	240,471.9	2,716.8	1.1%	276,284.6	4,217.1	1.5%	314,825.8	12,227.0	3.9%
Infrastructure Development	52,639.8	1,212.2	2.3%	72,202.5	1,118.6	1.5%	83,973.5	3,066.5	3.7%
Food & Beverage	129,268.1	1,829.3	1.4%	141,996.5	3,280.6	2.3%	188,364.0	5,870.4	3.1%
Wood & Products	5,342.5	248.2	4.6%	7,213.1	320.3	4.4%	9,257.2	201.8	2.2%
Wholesale Trade - Industrial	127,521.1	2,424.0	1.9%	138,660.1	3,690.2	2.7%	163,979.1	3,469.0	2.1%
Agriculture Production - Non Food	165,144.5	1,544.3	0.9%	201,402.3	2,854.5	1.4%	198,629.0	4,156.8	2.1%
Iron & Steel	90,624.9	2,484.2	2.7%	97,692.6	2,150.6	2.2%	111,467.4	2,218.3	2.0%
Animal Husbandry	16,888.2	197.0	1.2%	23,736.1	124.7	0.5%	26,750.5	466.6	1.7%
Wholesale Trade - Non Industrial	104,978.2	1,709.4	1.6%	129,253.8	2,712.1	2.1%	172,010.1	2,850.1	1.7%
Real Estate & Property Services	100,721.9	3,399.9	3.4%	149,907.5	3,415.1	2.3%	213,911.8	3,543.5	1.7%
Agriculture Produce Trade	107,827.7	530.1	0.5%	115,654.5	268.2	0.2%	96,453.0	1,522.9	1.6%

Industry	March 31, 2016			March 31, 2017			March 31, 2018		
	Gross Loans	Non-Performing Loans	Non-performing loans as a % of loans in industry	Gross Loans	Non-Performing Loans	Non-performing loans as a % of loans in industry	Gross Loans	Non-Performing Loans	Non-performing loans as a % of loans in industry
	(₹ in million, except percentages)								
Retail trade	205,785.9	2,290.4	1.1%	241,573.6	3,091.7	1.3%	295,765.6	4,588.0	1.6%
Gems and Jewellery	64,457.5	382.2	0.6%	63,315.1	474.4	0.7%	76,769.0	1,159.2	1.5%
Textiles & Garments	76,657.1	888.2	1.2%	89,910.2	1,276.1	1.4%	133,282.4	1,719.8	1.3%
Road Transportation	144,189.8	1,483.1	1.0%	187,253.4	1,889.8	1.0%	215,391.6	2,604.9	1.2%
Business Services	112,333.5	870.2	0.8%	155,304.5	1,450.0	0.9%	200,167.4	2,010.6	1.0%
Consumer Services	185,581.7	1,036.5	0.6%	250,741.9	1,838.5	0.7%	284,533.2	2,697.0	0.9%
Drugs and Pharmaceuticals	32,311.0	144.8	0.4%	25,573.5	132.4	0.5%	40,421.7	348.6	0.9%
Automobile & Auto Ancillary	192,930.8	1,667.0	0.9%	232,192.4	2,148.4	0.9%	278,494.7	2,384.3	0.9%
Leather & Products	5,409.8	22.8	0.4%	6,324.8	71.5	1.1%	10,495.8	80.9	0.8%
Consumer Loans	1,195,470.7	7,954.2	0.7%	1,526,890.4	10,257.7	0.7%	1,947,986.9	14,510.2	0.7%
Media & Entertainment	10,746.5	102.9	1.0%	13,492.2	102.8	0.8%	11,917.4	76.7	0.6%
Engineering	88,957.7	1,085.8	1.2%	104,832.7	497.1	0.5%	123,572.0	690.0	0.6%
Telecom	69,002.3	30.9	0.0%	107,461.4	25.9	0.0%	121,380.6	554.5	0.5%
Consumer Durables	30,070.3	139.9	0.5%	41,183.3	158.3	0.4%	47,145.2	205.9	0.4%
Mining and Minerals	47,505.5	512.0	1.1%	47,602.5	994.9	2.1%	34,779.1	149.6	0.4%
Other Non-metallic Mineral Products	8,166.8	65.9	0.8%	10,658.2	55.1	0.5%	16,189.7	57.0	0.4%
Plastic & Products	22,231.1	276.3	1.2%	29,547.4	254.2	0.9%	35,817.5	122.5	0.3%
Chemical and Products	36,129.0	65.9	0.2%	47,016.8	67.9	0.1%	55,397.1	173.9	0.3%
Coal & Petroleum Products	45,122.4	80.5	0.2%	46,714.0	118.1	0.3%	47,788.2	110.1	0.2%

Industry	March 31, 2016			March 31, 2017			March 31, 2018		
	Gross Loans	Non-Performing Loans	Non-performing loans as a % of loans in industry	Gross Loans	Non-Performing Loans	Non-performing loans as a % of loans in industry	Gross Loans	Non-Performing Loans	Non-performing loans as a % of loans in industry
	(₹ in million, except percentages)								
Information Technology	12,810.9	172.1	1.3%	19,495.2	39.9	0.2%	33,989.7	57.7	0.2%
Fishing	4,900.2	19.9	0.4%	6,718.3	11.4	0.2%	8,372.8	11.5	0.1%
Cement & Products	36,185.6	37.0	0.1%	36,079.9	46.4	0.1%	51,747.9	39.4	0.1%
Power	103,178.1	114.5	0.1%	124,872.5	92.9	0.1%	125,493.0	92.5	0.1%
Shipping							2,840.0	2.0	0.1%
Non-ferrous Metals	22,002.2	11.3	0.1%	27,590.6	38.0	0.1%	30,600.7	19.0	0.1%
Rubber & Products	5,147.7	139.8	2.7%	6,714.2	111.0	1.7%	7,182.2	4.4	0.1%
NBFC/Financial Intermediaries	144,986.4	922.1	0.6%	190,131.4	72.9	0.0%	214,432.2	96.6	0.0%
FMCG & Personal Care	6,011.8	1.4	0.0%	12,530.7	4.6	0.0%	17,208.2	6.0	0.0%
Banks and Financial Institutions				40,343.2	4.6	0.0%	32,373.8	4.6	0.0%
Fertilisers & Pesticides	68,892.8	2.3	0.0%	64,676.2	1.5	0.0%	78,141.1	1.9	0.0%
Capital Market Intermediaries	18,583.0	37.3	0.2%						
Tobacco & Products	521.0	4.4	0.8%						
Other Industries	294,251.5	1,059.3	0.4%	213,772.3	4,118.7	2.0%	230,817.9	1,515.7	0.7%
Total gross non-performing loans		**42,976.0**			**58,258.8**			**85,068.7**	

Note: The above figures for non-performing loans exclude non-performing investments and non-performing foreign exchange and derivative receivables aggregating ₹ 952.3 million, ₹ 597.8 million and ₹ 1,001.0 million as of March 31, 2016 and 2017 and March 31, 2018, respectively. Corresponding loan amount has been included above for industries only where the non-performing loan is presented.

Remediation Strategy for Non-Performing Loans

We focus on early problem recognition and active remedial management efforts in relation to our non-performing loans. Because we are involved primarily in working capital finance with respect to wholesale loans, we track our borrowers' performance and liquidity on an ongoing basis. This enables us to define remedial strategies proactively and manage our exposures to industries or customers that we believe are displaying deteriorating credit trends. Relationship managers lead the recovery effort together with strong support from the credit group in the corporate office in Mumbai. Recovery is pursued through, among others, legal process, enforcement of collateral, negotiated one-time settlements and other similar strategies. The particular strategy pursued depends upon the level of cooperation of the borrower, our assessment of the borrower's management integrity and long-term viability, the credit structure and the role of other creditors.

Movement of Provisions for Non-Performing Assets

The following table sets forth, for the periods indicated, movements in our provisions for our NPAs:

	For the years ended March 31,		
	2016	**2017**	**2018**
	(₹ in million)		
Specific provisions at the beginning of the period	25,421.0	30,724.6	40,416.7
Provisions made during the period, net	24,727.8	33,551.5	52,301.1
Provisions no longer required on account of write-offs	19,424.2	23,859.4	32,658.3
Specific provisions at the end of period	**30,724.6**	**40,416.7**	**60,059.5**

General Provisions on Standard Assets and Floating Provisions

We maintain general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, and gold at levels stipulated by the RBI from time to time. General provision for standard assets is included under Other Liabilities.

Banks are required to make general provisions for standard assets for the funded outstanding on a global portfolio basis. The provisioning requirement for housing loans at teaser rates is 2.00% and will reduce to 0.40% after one year from the date on which the teaser rates are reset at higher rates if the accounts remain standard. In November 2012, the RBI increased the provisioning requirement for restructured standard assets from 2.0% to 2.75%. In May 2013, the RBI increased the provisioning requirement for all types of accounts restructured to 5.0% with effect from June 1, 2013. For the stock of restructured standard accounts as of May 31, 2013, this increase is required to be implemented in a phased manner by March 31, 2016. The provisioning requirements for other loans range primarily from 0.25% to 1.00% on the outstanding loans based on the type of exposure. Derivative exposures, such as credit exposures computed as per the current marked to market value of the contract arising on account of the interest rate and foreign exchange derivative transactions and gold are subject to the same provisioning requirement applicable to the loan assets in the standard category of the concerned counterparties. All conditions applicable for the treatment of the provisions for standard assets would also apply to the aforesaid provisions for derivatives and gold exposures.

In February 2014, the RBI directed banks to form a Joint Lender's Forum (a "**JLF**") if the aggregate exposure of both fund-based and non-fund based facilities taken together of lenders in an account is ₹ 1,000 million and above and the account is reported by any of the lenders to CRILC as falling within the RBI guidelines for a special mention account-2 ("**SMA-2**"). If the lenders fail to convene the JLF or fail to agree upon a common Corrective Action Plan within the stipulated time frame, the account will be subjected to accelerated provisioning of 5% if the account is classified as a standard asset in the accounts of the lenders. In October 2014, the RBI decided that accelerated provisioning will be applicable only to the lead bank having responsibility to convene the JLF and not to all the lenders in the consortium or multiple banking arrangements. In case the lead bank fails to convene the JLF, the bank with the second largest aggregate exposure shall convene the JLF.

The RBI has also introduced incremental provisioning requirements with effect from April 1, 2014 for banks' exposures to entities with unhedged foreign currency exposure. Banks are required to collect specific information from its customers and assess the extent to which a customer is exposed to unhedged foreign currency on account of volatility in the exchange rate of the rupee vis-à-vis foreign currencies and calculate the incremental provisions based on the methodology prescribed by the RBI.

By its circular dated April 18, 2017, the RBI advised banks to make provisions at higher rates in respect of standard advances to stressed sectors of the economy, and requires banks to (i) put in place a Board-approved policy for making provisions for standard assets at rates higher than the regulatory minimum based on evaluation of risk and stress in various sectors; (ii) review the policy on a quarterly basis; and (iii) review the telecom sector by June 30, 2017, and consider making provisions for standard assets in this sector at higher rates.

In June 2006, the RBI issued prudential standards on the creation and utilization of floating provisions (provisions which are not made in respect of specific non-performing assets or are made in excess of regulatory requirements for provisions for standard assets). Floating provisions must be held separately and cannot be reversed by credit to the profit and loss account. The RBI has permitted banks to utilize a prescribed percentage of the floating provisions held by them for making specific loan loss allowances for impaired accounts under extraordinary circumstances. Until the utilization of such provisions, they can be netted off from gross non-performing assets to arrive at disclosure of net non-performing assets, or alternatively, can be treated as part of Tier II capital within the overall ceiling of 1.25% of credit RWAs.

The following table sets forth, for the periods indicated, the balance of general provisions for standard assets and floating provisions:

	At March 31,		
	2016	**2017**	**2018**
	(₹ in million)		
Standard asset provisions	20,012.1	23,922.2	29,896.2
Floating provisions	13,356.3	12,480.1	14,512.8
Total	**33,368.4**	**36,402.3**	**44,409.0**
Provisions for NPAs, standard asset provisions and floating provisions as a percentage of gross NPAs	145.9%	130.5%	121.4%

Restructured Assets

The RBI has issued prudential guidelines on the restructuring of assets by banks. The guidelines essentially deal with the norms/conditions, the fulfillment of which is required to maintain the category of the restructured account as a 'standard asset'. Similar guidelines apply to assets categorised as substandard. Substandard accounts which have been subjected to restructuring, whether in respect of principal installment or interest amount, are eligible to be upgraded to the standard category only after the specified period, i.e. a period of one year after the date when the first payment of interest or principal, whichever is earlier, falls due, subject to satisfactory performance during the period. If there is a failure to meet payment or other terms of a restructured loan, it may be considered a failed restructuring, in which case it is no longer classified as a restructured loan.

In May 2013, the RBI issued additional guidelines withdrawing, with effect from April 1, 2015, the regulatory forbearance regarding asset classification applicable to all restructurings, with the exception of provisions related to changes in "Date of Commencement of Commercial Operations" ("**DCCO**") in respect of infrastructure as well as non-infrastructure project loans. This implies that a standard account would immediately be classified as a sub-standard account upon restructuring. These guidelines are also applicable to non-performing assets, which upon restructuring would continue to have the same asset classification as prior to the restructuring and may be classified into lower categories in accordance with applicable asset classification norms based on the pre-restructuring repayment schedule. However, the standard asset classification may be retained, subject to specified conditions, in respect of certain loans granted for infrastructure projects given the importance of the infrastructure sector in national growth and development and the uncertainty involved in obtaining approvals from various authorities.

We restructure assets on a case-by-case basis after our management has determined that restructuring is the best means of maximizing realization of the asset. Our restructured assets as per RBI's master circular dated July 1, 2015 on prudential norms on income recognition, asset classification and provisioning pertaining to advances aggregated to 0.24% of our gross advances as of March 31, 2018.

In a circular dated February 12, 2018, the RBI has established a new regulatory framework for resolution of stressed assets ("**Revised Framework**") See "*Supervision and Regulation—Regulations Revised Framework on Resolution of Stressed Assets*". Pursuant to the Revised Framework, in case of a restructuring, the accounts classified as 'standard' shall be immediately downgraded as NPAs (i.e., 'sub-standard') at the outset. The NPAs, upon restructuring, would continue to have the same asset classification as prior to restructuring. Such accounts may be upgraded only when all the outstanding loan/facilities in the account demonstrate 'satisfactory performance' (i.e., payments in respect of the borrower entity are not in default at any point in time) during the 'specified period' as defined in the Revised Framework. For large accounts (i.e. where the aggregate exposure of the lenders is more than ₹ 1 billion), any upgrade shall be subject to an additional requirement of an 'investment grade' credit rating of the borrower's credit facilities.

Further, if the satisfactory performance is not demonstrated during the 'specified period', the account shall, immediately on default, be reclassified as per the repayment schedule that existed before the restructuring. Any future upgrade for such accounts shall be contingent on implementation of a fresh resolution plan and demonstration of satisfactory performance thereafter.

Capital Adequacy

The following table sets forth, for the periods indicated, our capital adequacy ratios computed as per applicable RBI guidelines:

	At March 31,		
	2016	**2017**	**2018**
	(₹ in million, except percentages)		
Common equity tier I (CET I)	700,325.2	818,293.0	980,049.0
Additional tier I capital	–	–	80,000.0
Tier I capital	700,325.2	818,293.0	1,060,049.0
Tier II capital	122,434.4	113,026.6	125,354.7
Total capital	822,759.6	931,319.6	1,185,403.7
Risk weighted assets	**5,297,681.4**	**6,400,299.3**	8,001,259.8
CET I ratio (%)	13.22%	12.79%	12.25%
Tier I capital ratio	13.22%	12.79%	13.25%
Tier II capital ratio	2.31%	1.76%	1.57%
Total capital ratio	**15.53%**	**14.55%**	**14.82%**

The following table sets forth, for the periods indicated, our risk weighted assets ("**RWA**") pertaining to credit risk, market risk and operational risk computed as per applicable the RBI guidelines:

	At March 31,		
	2016	**2017**	**2018**
	(₹ in million)		
Credit risk RWA	4,541,417.0	5,407,424.6	6,771,513.4
Market risk RWA	258,132.6	411,880.2	534,525.8
Operational risk RWA	498,131.8	580,994.5	695,220.6
Total risk weighted assets	**5,297,681.4**	**6,400,299.3**	**8,001,259.8**

INDUSTRY OVERVIEW

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries, the RBI and the Indian Banks' Association, and has not been prepared or independently verified by us or any of our Lead Managers. Wherever we have relied on figures published by the RBI, unless stated otherwise, we have relied on the RBI Annual Report 2016-17, RBI Monetary Policy Reports, Report on Trend and Progress of Banking in India 2016-17 and the accompanying Explanatory Notes and the Financial Stability Report No. 16 (December 2017), available at http://www.rbi.org.in. Industry sources and publications referred to by us state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and, accordingly, investment decisions should not be based on such information. Statements in this section that are not statements of historical fact constitute "forward-looking statements". Such forward-looking statements are subject to various risks, assumptions and uncertainties and certain factors could cause actual results or outcomes to differ materially.

Indian Economy

The Indian economy is one of the largest economies in the world with a gross domestic product ("**GDP**") at current market prices of an estimated ₹ 152.5 trillion for Fiscal Year 2017 and an estimated ₹ 167.5 trillion for Fiscal Year 2018. (*Source: Central Statistical Office of India's Ministry of Statistics and Programme Implementation, press release dated February 28, 2018, http://mospi.nic.in/sites/default/files/press_release/nad_pr_2eni_28feb18_0.pdf, available as of May 7, 2018.*) In recent years, India has become a popular destination for foreign direct investment ("**FDI**"), owing to its well-developed private corporate sector, large consumer market potential, large pool of well-educated and English speaking workers and well established legal systems. Overall, India attracted FDI (including reinvested earnings) of approximately US$ 60.1 billion in Fiscal Year 2017 and US$ 55.6 billion in Fiscal Year 2016 as compared to an average of US$ 23.1 billion from Fiscal Year 2001 through Fiscal Year 2013. (*Source: Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Government of India – Fact Sheet on FDI from April 2000 to March 2017.*) From April through September 2017, FDI equity inflows of US$ 25.35 billion were received, representing a 17% increase over the same period in Fiscal Year 2017. One measure of India's progress has been the upward trend in ease of doing business rankings, a measure published annually by the World Bank. In 2017, India jumped 30 places to the 100th spot and was ranked as one of the top 10 improvers year-over-year.

Although GDP grew at a slightly slower pace in Fiscal Year 2017 than Fiscal Year 2016 (with GDP growth of 7.1% compared to 8.0%), private final consumption grew at 8.7% for Fiscal Year 2017. (*Source: RBI Annual Report 2016-17.*) In the first quarter of Fiscal Year 2018 as GDP growth slowed down to a 13-quarter low at 5.7%, sharply lower than last year's 7.9% expansion in the same quarter. GDP growth bounced back to 6.3% in the second quarter of Fiscal Year 2018 after declining for the last five quarters, and has further been pegged at 7.2% for the third quarter of Fiscal Year 2018. While many economic indicators suggest a revival is underway, we believe that the improvement going forward may only be gradual, undermined by structural problems such as weak private consumption and low capacity utilization.

On the other hand, inflation also moderated during Fiscal Year 2017, with the average level of Consumer Price Inflation ("**CPI**") declining to 4.5% in Fiscal Year 2017 from 4.9% in Fiscal Year 2016. According to OECD data, CPI in Fiscal Year 2018 was 3.1% on average (*Source: OECD Inflation (CPI) Data, https://data.oecd.org/price/inflation-cpi.htm, available as of May 7, 2018.*) In line with market expectations, the RBI, in its monetary policy announcements on February 7 and April 5, 2018 kept rates unchanged, in February also announcing the linking of the base rate to the Marginal Cost of Funds based Lending Rate ("**MCLR**") with effect from April 1, 2018.

Notwithstanding some positive reversal in private investment growth in the third quarter of Fiscal Year 2018 (rising to 12% from 6.9% and 1.6% in the the second and first quarter of Fiscal Year 2018, respectively), we believe incremental pick up in private capital expenditures is likely to be sector and sub-sector specific and very gradual. In contrast to these positive signs seen in private capital expenditure, there has been a continued slowdown in private consumption growth. The growth in private consumption demand slipped to 5.6% in the third quarter of Fiscal Year 2018, down from 6.6% in the second and first quarter of Fiscal Year 2018 and 9.3% in the third quarter of Fiscal Year 2017.

Global growth is expected to pick up in 2018, with the International Monetary Fund ("**IMF**") projecting 2018 GDP growth of 3.7% compared to 3.2% registered in 2016, which we believe means external demand is more likely to support growth going forward. The IMF has forecasted India GDP growth of 7.4% and 7.9% for 2018 and 2019.

Indian Banking Industry

Until the 1980s, the Indian financial system was strictly controlled. Interest rates were administered by the Government. Formal and informal parameters governed asset allocation and strict controls limited entry into and expansion within the financial sector. Bank profitability was low, nonperforming assets ("**NPAs**") were comparatively high, capital adequacy was diminished and operational flexibility was hindered. The Government's economic reform program, which began in 1991, encompassed the financial sector. The first phase of the reform process began with implementation of the recommendations of the Committee on the Financial System, namely the Narasimham Committee I. Following that, reports were submitted in

1997 and 1998 by other committees, such as the second Committee on Banking Sector Reform, namely, the Narasimham Committee II, and the Tarapore Committee on Capital Account Convertibility. This, in turn, led to the second phase of reforms relating to capital adequacy requirements, asset classification and provisioning, risk management and merger policies. The deregulation of interest rates, the emergence of a liberalised domestic capital market and the entry of new private sector banks have progressively intensified the competition among banks.

Banks in India may be categorised as scheduled banks and non-scheduled banks, where the former are banks which are included in the second schedule to the RBI Act 1934, as amended. These banks comprise scheduled commercial banks and scheduled cooperative banks. Scheduled commercial banks may further be classified as the State Bank of India ("**SBI**"), nationalised banks, private sector banks, foreign banks and regional rural banks. The focus of commercial banks in India has largely been on meeting the short-term financing needs of industry, trade and agriculture sectors. As of December 2017, there were 149 scheduled commercial banks in the country and commercial banks had a nationwide network of 139,475 offices (including small finance banks) and 207,036 ATMs, with 62.68% of the offices in rural and semi-urban areas. (*Source: RBI, "Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks" as of December 2017, http://www.rbi.org.in/, available as of May 7 2018.*) As of December 2017, scheduled commercial banks had approximately ₹ 110.6 trillion of deposits and approximately ₹ 83.0 trillion of credit (*Source: RBI, "Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks" as of December 2017, http://www.rbi.org.in/, available as of May 7, 2018*.) Aggregate deposits for all scheduled commercial banks had registered an annual growth rate of 4.1% while the loans and advances for all scheduled commercial banks had increased by 10.7%. (*Source: RBI, Commercial Banks at a Glance, from "Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks" as of December 2017, http://www.rbi.org.in/, available as of May 7, 2018.*) The credit deposit ratio for all scheduled commercial banks stood at 75.1%. (*Source: RBI, Commercial Banks at a Glance, from "Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks" as of December 2017, http://www.rbi.org.in/, available as of May 7, 2018.*) The RBI Financial Stability Report noted that while the Indian financial system remains stable, risks to the banking sector remain at an elevated level weighed down by asset quality deterioration. The capital to risk (weighted) assets ratio ("**CRAR**") of scheduled commercial banks increased from 13.6% to 13.9% from March to September 2017. The common equity tier leverage ratio for scheduled commercial banks also improved from 6.0% to 6.2% in the same period. Overall, SCB return on assets remained unchanged at 0.4% in September 2017 from March 2017 and return on equity decreased to 4.2% from 4.3% between March 2017 and September 2017. (*Source: RBI - Financial Stability Report, No. 16 (December 2017).*)

Constituents of the Indian Financial Sector

The Reserve Bank of India

The RBI is the central regulatory and supervisory authority for the Indian banking sector. Besides regulating and supervising the banking system, the RBI performs the following important functions:

- acts as the central bank and the monetary authority;
- issues currency;
- manages debt for the central and certain state governments that have entered into agreement with it;
- regulates and supervises NBFCs;
- manages the country's foreign exchange reserves;
- manages the capital account of the balance of payments;
- regulates and supervises payment settlement systems;
- operates a grievance redressal scheme for bank customers through the banking ombudsmen and formulates policies for fair treatment of banking customers; and
- develops initiatives such as financial inclusion and strengthening of the credit delivery mechanisms to priority sectors and weaker sections, including agricultural entities, small and micro-enterprises and for affordable housing and education.

The RBI issues guidelines on various issues relating to the financial reporting of entities under its supervision. These guidelines regulate exposure standards, income recognition practices, asset classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy. All the institutions under the purview of the RBI are required to furnish information relating to their businesses on a regular basis.

Public sector banks

Public sector banks are scheduled commercial banks with a significant Government shareholding and constitute the largest category in the Indian banking system. These include SBI and 19 nationalised banks. In June 2016, the Government approved the merger of SBI with its five associate banks which was completed on April 1, 2017. As of December 31, 2017, public sector banks had 91,320 reporting offices, total deposits of approximately ₹ 75,701 billion and credit of approximately ₹ 52,660 billion. The public sector banks, in total, accounted for approximately 68.5% of the total deposits and approximately 63.4% of the total credit of the scheduled commercial banks (including small finance banks). (*Source: RBI, "Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks" as of December 2017, http://www.rbi.org.in/, available as of May 7, 2018.*)

Regional Rural Banks

Regional Rural Banks ("**RRBs**") were established from 1976 to 1987 by the central Government, state governments and sponsoring commercial banks jointly, with a view to develop the rural economy. Regional rural banks provide credit to small farmers, artisans, small entrepreneurs and agricultural labourers. The NABARD is responsible for regulating and supervising the functions of the regional rural banks. In 1986, the Kelkar Committee made comprehensive recommendations covering both the organizational and operational aspects of RRBs, several of which were adopted via amendments to the Regional Rural Bank Act, 1976. Between 1995 and 2000, as part of a comprehensive restructuring program, RRBs were re-capitalised; simultaneously, prudential reforms on income recognition, asset classification and provisioning for loan losses following customary banking benchmarks were introduced.

As of December 31, 2017, there were 56 RRBs (down from 196 regional rural banks in 2005, through amalgamation and consolidation) and a total of 21,470 RRB reporting offices, which accounted for 3.4% of aggregate deposits and 2.9% of bank credit of scheduled commercial banks (including small finance banks). (*Source: RBI, "Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks" as of December 2017, http://www.rbi.org.in/, available as of May 7, 2018.*)

Private sector banks

After bank nationalisation was completed in 1969 and 1980, the majority of Indian banks were public sector banks. Some of the existing private sector banks, which showed signs of an eventual default, were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted entry by the private sector into the banking system. This resulted in the emergence of private sector banks, collectively known as the "New Private Sector Banks". We are classified as a New Private Sector Bank. (*Source: RBI Report on Trend and Progress of Banking in India 2012-13.*) According to the RBI, there were 21 Indian private sector banks as of May 7, 2018. (*Source: RBI, https://www.rbi.org.in/commonman/english/scripts/banksinindia.aspx#IB, available as of May 7, 2018.*)

As of December 31, 2017, private sector banks accounted for approximately 23.9% of the deposits and approximately 29.1% of bank credit of the scheduled commercial banks (including small finance banks). (*Source: RBI, "Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks"as of December 2017, http://www.rbi.org.in/, available as of May 7, 2018.*)

On April 2, 2014, the RBI granted "in-principle" approval to two applicants (IDFC Limited and Bandhan Financial Services Private Limited) to set up banks under the New Banks Licensing Guidelines. In August 2015, the RBI issued licenses to the two new private sector banks. Both of these non-banking finance companies began operations during Fiscal Year 2016.

On July 17, 2014, the RBI released the draft guidelines for "Licensing of Payments Banks" and for "Licensing of Small Banks", which are aimed at expanding the banking space and paving the way for corporate entities to enter these two segments. The RBI issued its final guidelines in November 2014 on the entry of "Small Finance Banks" ("**SFBs**") and "Payments Banks" into the private sector in the banking industry, including the eligibility criteria, structure, capital requirements, shareholding structure and corporate governance practices applicable to such proposed entities. 11 banks received "in-principle" approval on August 19, 2015 to operate as payment banks. *(Source: RBI, https://www.rbi.org.in/scripts/bs_viewcontent.aspx?Id=2900 and https://www.rbi.org.in/scripts/bs_pressreleasedisplay.aspx?prid=34754, available as of May 7, 2018.*). In February 2015, the RBI received 72 applications for the SFB license. In September 2015, the RBI granted "in-principle" approval to 10 applications, of which 8 were operational as of September 30, 2017. Airtel Payments Bank Limited, India Post Payments Bank Limited, Fino Payments Bank Limited and Paytm Payments Bank Limited began operations as payments banks. Ten small finance banks have received licenses as of May 7, 2018. (*Source: RBI, https://www.rbi.org.in/commonman/english/scripts/banksinindia.aspx, available as of May 7, 2018.*) The small finance banks in India accounted for approximately 0.1% of deposits and 0.3% of credit as of December 31, 2017. (*Source: RBI, "Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks" as of December 2017, http://www.rbi.org.in/, available as of May 7, 2018.*)

On April 7, 2017, the RBI released a discussion paper on Wholesale and Long-Term Finance banks. These banks will focus primarily on lending to infrastructure sector and small, medium and corporate businesses. These banks can provide refinancing to lending institutions and shall be present in the capital markets in the form of aggregators. The banks can also act like market makers in corporate bonds, credit derivatives and take out financing amongst others.

Foreign banks

As of May 7, 2018, there were 45 foreign banks with 287 branches operating in India. (*Source: RBI, https://www.rbi.org.in/commonman/english/scripts/banksinindia.aspx, available as of May 7, 2018.*) As of December 31, 2017, foreign banks accounted for approximately 4.1% of deposits and approximately 4.3% of bank credit of scheduled commercial banks (including small finance banks) (*Source: RBI, "Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks" as of December 2017, http://www.rbi.org.in/, available as of May 7, 2018.*)

In 2009, as part of the liberalization process that accompanied the second phase of the reform process that began in 2005, the RBI began permitting foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made retail banking a significant part of their portfolios. Most foreign banks operate in India through branches of the parent bank. Certain foreign banks also have wholly owned non-banking financial company subsidiaries or joint ventures for both corporate and retail lending. In 2004, the RBI stipulated that banks, including foreign banks operating in India, should not acquire any fresh stake in another bank's equity shares if by such acquisition, the investing bank's holding would exceed 5.0% of the investee bank's equity capital. In February 2005, the RBI issued a "Roadmap for Presence of Foreign Banks in India", announcing the following measures to be implemented in two phases:

- During the first phase (from March 2005 through March 2009), foreign banks were allowed to establish a presence by setting up wholly owned subsidiaries or by converting existing branches into wholly-owned subsidiaries.
- Also during the first phase, foreign banks were allowed to acquire a controlling stake in private sector banks identified by the RBI for restructuring. This was only to be done in a phased manner.
- For new and existing foreign banks, proposals were made to go beyond the existing World Trade Organisation commitment of allowing increases of 12 branches per year. A more liberal policy will be followed for areas with a small number of banks.
- During the second phase (from April 2009 onwards) and after a review of the first phase, foreign banks would be allowed to acquire up to 74.0% in private sector banks in India.

In April 2009, in light of deteriorating global financial markets, the RBI postponed the second phase until greater clarity emerged as to recovery and reform of the global regulatory and supervisory architecture. In January 2011, the RBI released a draft discussion paper on the mode of presence of foreign banks in India. The paper indicates a preference for a wholly-owned subsidiary model of presence over a branch model. Other recommendations of the discussion paper include requiring systemically important foreign banks to convert their Indian operations into wholly-owned subsidiaries, a less restrictive branch expansion policy and ability to raise Rupee debt through issuance of non-equity capital instruments for such converted subsidiaries, lower priority sector targets as compared to domestic banks and unified regulation for both Indian and foreign banks with respect to investments in subsidiaries and associates.

In July 2012, the RBI revised priority sector lending norms and mandated foreign banks with 20 branches or more in India to meet priority lending norms as prescribed for domestic banks.

In November 2013, the RBI issued a scheme for setting up wholly-owned subsidiaries by foreign banks in India. The scheme envisages that foreign banks that commenced business in India after August 2010, or do so in the future, would be permitted to do so only through wholly-owned subsidiaries if certain specified criteria apply to them. These criteria include incorporation in a jurisdiction which gives legal preference to home country depositor claims in case of a winding up proceeding, among others.

Further, a foreign bank that has set up operations in India through the branch mode after August 2010 will be required to convert its operations into a subsidiary if it is considered to be systemically important. A bank would be considered systemically important if the assets on its Indian balance sheet (including the credit equivalent of off-balance sheet items) equal 0.25% of the total assets (including the credit equivalent of off- balance sheet items) for all scheduled commercial banks in India as of March 31 of the preceding year. Establishment of a subsidiary would require approval of the home country regulator/supervisor and the RBI, which would be subject to various factors including economic and political relations with the country of incorporation of the parent bank and reciprocity with the home country of the parent bank. The regulatory framework for a subsidiary of a foreign bank would be substantially similar to that applicable to domestic banks, including with respect to priority sector lending and branch expansion. Wholly-owned subsidiaries of foreign banks may, after further review, be permitted to enter into merger and acquisition transactions with Indian private sector banks, subject to adherence to the foreign ownership limit of 49.0% under the 'automatic' route and 74.0% under the 'government approval' route that is currently applicable to Indian private sector banks.

Cooperative banks

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban, semi-urban and rural areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004, which came into effect on September 24, 2004, specifies that all multi-state cooperative banks are under the supervision and regulation of the RBI. Accordingly, the RBI is currently responsible for the supervision and regulation of urban cooperative societies, NABARD, state cooperative banks and district central cooperative banks. The wide network of co-operative banks, both rural and urban, supplements the commercial banking network for deepening financial intermediation by bringing a large number of depositors/borrowers under the formal banking network. According to the RBI, there were 20 scheduled state co-operative banks, 13 nonscheduled state co-operative banks, 54 scheduled urban co-operative banks and 1,498 non-scheduled urban cooperative banks as of May 7, 2018. (*Source: RBI, https:// https://www.rbi.org.in/commonman/english/scripts/banksinindia.aspx, available as of May 7, 2018.*)

Non-Banking Financial Companies

As of September 2017, there were 11,469 non-banking financial companies ("**NBFCs**") registered with the RBI, of which 172 were deposit accepting ("**NBFCs-D**") and 11,297 were non-deposit accepting. (*Source: RBI Financial Stability Report No. 16 (December 2017)*). All non-banking financial companies are required to register with the RBI. The non-banking financial companies may be categorised into entities which take public deposits and those which do not. The companies which take public deposits are subject to strict supervision and capital adequacy requirements of the RBI. The RBI classifies non-banking financial companies into three categories: asset finance companies, loan companies and investment companies. As of September 2017, there were 220 systemically important non-deposit accepting NBFCs ("**NBFCs-ND-SI**"). (*Source: RBI Financial Stability Report No. 16 (December 2017).*)

All NBFCs-D and NBFCs-ND-SI are subject to prudential regulations such as capital adequacy requirements and provisioning norms along with reporting requirements. (*Source: RBI Financial Stability Report No. 16 (December 2017)*).

Housing Finance Companies

Housing finance companies form a distinct sub-group of non-banking financial companies. As a result of the various incentives given by the government for investing in the housing sector in recent years, the scope of this business has grown substantially. The Housing Development Finance Corporation Limited is a leading provider of housing finance in India. In recent years, several other players including banks have entered the housing finance industry. The National Housing Bank and the Housing and Urban Development Corporation Limited are the two major financial institutions instituted through acts of Parliament to improve the availability of housing finance in India. The National Housing Bank Act, 1987, provides for securitisation of housing loans, foreclosure of mortgages and setting up of the Mortgage Credit Guarantee Scheme.

Other Financial Institutions

Insurance Companies

As of March 31, 2017, there were 62 insurance companies in India, of which 24 were life insurance companies, 29 were general insurance companies (including six health insurance companies) and nine were re-insurers including foreign reinsurers branches and Lloyd's India. Eight of the 62 insurers were in the public sector and the remaining 54 were in the private sector. Of the 24 life insurance companies, 23 were in the private sector and one in the public sector. Among the general insurance companies, 23 (including health insurance companies) were in the private sector and six (including the Export Credit Guarantee Corporation of India Limited and the Agriculture Insurance Company of India Limited) were in the public sector. (*Source: IRDA Annual Report 2016-17.*) The General Insurance Corporation of India, a re-insurance company, is in the public sector. The Life Insurance Corporation of India ("**LIC**"), the General Insurance Corporation of India and public sector general insurance companies also provide long-term financial assistance to the industrial sector.

The insurance sector in India is regulated by Insurance Regulatory Development Authority ("**IRDA**"). In December 1999, the Indian Parliament passed the IRDA Act, which amended the Insurance Act, 1938 and opened up the Indian insurance sector for foreign and private investors. The Insurance Act, 1938 was further amended by the Insurance Law (Amendment) Act, 2015 which raised permitted foreign equity participation in new insurance companies from 26.00% to 49.00%. Insurance companies are required to be Indian owned and controlled. Control includes the right to appoint majority of directors or control the management or policy decisions by the virtue of shareholding or management rights or shareholders agreements or voting agreements. Therefore, both the ownership and control are required to remain in Indian hands. Further, the amendment has permitted insurers to raise capital through instruments other than equity.

In its monetary and credit policy for Fiscal Year 2001, the RBI issued guidelines governing the entry of banks and financial institutions into the insurance business. The guidelines permit banks and financial institutions to enter the business of insurance underwriting through joint ventures provided they meet stipulated criteria relating to their net worth, capital adequacy ratios, profitability track record, level of non-performing loans and the performance of their existing subsidiary companies.

Life insurance industry recorded a premium income of ₹ 4,184.77 billion during Fiscal Year 2017 as against ₹ 3,669.43 billion in the previous Fiscal Year, registering a growth of 14.04% (versus 11.84% growth in the previous Fiscal Year). While private sector insurers posted 17.40% growth (versus 13.64% growth in the previous Fiscal Year) in their premium income, LIC (the only public sector life insurer) recorded 12.78% growth (versus 11.17% growth in the previous Fiscal Year). The non-life insurance industry had underwritten a total premium of ₹ 1,281.28 billion in India for Fiscal Year 2017 as against ₹ 963.79 billion in Fiscal Year 2016, registering a growth of 32.94% as against an increase of 13.81% recorded in the previous Fiscal Year. The public sector insurers exhibited growth in Fiscal Year 2017 at 26.27% (versus the previous Fiscal Year's growth rate of 12.08%). The private general insurers registered a growth of 35.55%, over 13.12% achieved during the previous Fiscal Year. (*Source: IRDA Annual Report 2016 – 2017.*)

Mutual Funds

As of April 30, 2018, there were 42 mutual funds in India with total assets under management of ₹ 23,255.05 billion, an increase from ₹ 19,263.02 billion as of April 30, 2017. From 1963 to 1987, the Unit Trust of India was the only mutual fund operating in the country. It was set up in 1963 at the initiative of the Government and the RBI. From 1987 onwards, several other public sector mutual funds entered this sector. These mutual funds were established by public sector banks, the Life Insurance Corporation of India and the General Insurance Corporation of India. (*Source: https://www.amfiindia.com/research-information/amfi-monthly.*) The mutual funds industry was opened up to the private sector in 1993. The industry is regulated by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

In June 2009, SEBI removed the entry load, up-front charges deducted by mutual funds, for all mutual fund schemes and required that the up-front commission to distributors should be paid by the investor to the distributor directly. In November 2009, to enhance the reach and marketability of mutual fund schemes, SEBI permitted the use of stock exchange terminals to facilitate transactions in mutual fund schemes as a result of which mutual fund units can now be traded on recognised stock exchanges. In February 2010, the SEBI introduced guidelines for the valuation of money market and debt securities with a view to ensure that the value of money market and debt securities in the portfolio of mutual fund schemes reflect the current market value. The valuation guidelines became effective on August 1, 2010.

Key Banking Industry Trends in India

The Indian economy slowed down during Fiscal Year 2017 to measure 7.1% GDP growth as compared to 8.0% registered in the previous Fiscal Year, affected in part by the impact of demonetization of high denomination notes of ₹ 500 and ₹ 1,000. GDP growth bounced back to 6.3% in the second quarter of Fiscal Year 2018 after declining for the last five quarters. GDP growth further increased to 7.2% in the third quarter of Fiscal Year 2018. The moderation in inflation which was seen in Fiscal Year 2017 continued in the current Fiscal Year as well, with the CPI falling to a series low of 1.5% in June 2017, however, based on statistics published by the RBI for March 2018, the CPI has picked up and stood at 4.3%, in line with market and RBI expectations.

Amidst this, while the Indian financial sector has been broadly stable, the financial performance of banks, especially public sector banks ("**PSBs**"), has been weighed down by high provisioning on account of NPAs. As a result, while PSBs reported net losses for the second year in a row, private sector banks posted a muted increase in profits during the Fiscal Year 2017.

Recovery of banks' NPAs remains poor, having declined to 20.8% by end-March 2017 from 61.8% in 2009. During 2016 to 2017, Debt Recovery Tribunals ("**DRTs**") made the highest amount of recovery, followed by the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act ("**SARFAESI**") and Lok Adalats. The significant improvement in the case of DRTs was due to opening of new tribunals, strengthening existing infrastructure and computerised processing of court cases. (*Source: RBI Report on Trend and Progress of Banking 2016-17.*)

A major development in this regard in the Indian banking sector has been the enactment of the Insolvency and Bankruptcy Code ("**IBC**") in May 2016. Subsequent to the enactment of the IBC, the Banking Regulation Act, 1949 was amended to empower the RBI to issue directions to any banking company or banking companies to initiate insolvency resolution in respect of a default under the provisions of the IBC. Moreover, the Government also announced a large-scale bank recapitalization plan in October 2017 to reinvigorate PSBs struggling with high levels of stressed advances.

Another recent and significant development is the constitution of a Monetary Policy Committee ("**MPC**"), given the task of setting the benchmark policy rate in pursuit of this goal defined in the amended RBI Act (2016).

Affordable housing is a key focus area for the current Government. As a result there has been a strong push in the financial sector to create availability of credit across income groups in the housing sector. In Fiscal Year 2017, disbursement of loans in the housing sector of up to ₹ 1 million stood at ₹ 429.90 billion as compared to ₹ 309.20 billion in Fiscal Year 2015, which equals a CAGR of 17.9%, disbursements between ₹ 1 million and ₹ 2.5 million stood at ₹ 1,093.98 billion as compared to ₹ 863.43 billion in Fiscal Year 2015, which equals a CAGR of 12.6%, and disbursements in excess of ₹ 2.5 million stood at ₹ 1,688.66 billion as compared to ₹ 1,167.65 billion in Fiscal Year 2015, which equals a CAGR of 17.2%.

Meanwhile, several policy measures have also been taken in the payment and settlement systems to ensure robust and customer friendly payment systems. For instance, the operationalization of small finance banks and payments banks is expected to provide further impetus to the financial inclusion agenda.

The RBI has liberalised the banking licensing regime and intends to issue licences on an ongoing basis, subject to the RBI's qualification criteria. The RBI issued licenses to six payment banks and eight small finance banks in Fiscal Year 2017. On August 1, 2016, the RBI published the Guidelines for "on-tap" Licensing of Universal Banks in the Private Sector. As these licenses are "on-tap", there is no licensing window and applicants can apply at any time. While large industrial houses are barred, entities or groups in the private sector that are "owned and controlled by residents" (as defined in the FEMA Regulations, as amended from time to time) and have a successful track record for at least ten years are allowed to promote to universal banks, provided that such entity/group has total assets of ₹ 50 billion or more, and the non-financial business of the group does not account for 40% or more in terms of total assets or gross income.

On April 1, 2016, the RBI replaced the existing base rate regime by pricing new rupee loans and renewal of credit limits with reference to the MCLR to ensure better transmission of policy rates to lending rates.

In October 2017, the Government announced a recapitalization plan of ₹ 2.1 trillion for public sector banks over the next two years. This recapitalization is intended to provide an impetus to lending, revive private investment in select sectors and help manage capital related requirements of the banks. The capital infusion plan for Fiscal Year 2018 includes ₹ 800,000 million through Recapitalization Bonds and ₹ 81,390 million as budgetary support. (*Source: Press Information Bureau , Government of India, http://www.pib.nic.in/PressReleseDetail.aspx?PRID=1515650 and http://www.pib.nic.in/PressReleseDetail.aspx?PRID=1517642, available as of May 7, 2018.*)

In August 2017, the Financial Resolution and Deposit Insurance Bill (2017) (the "**FRDI Bill**") was first introduced in Lok Sabha during the Monsoon Session of Parliament, and is currently undergoing scrutiny by a joint parliamentary committee. The FRDI Bill seeks to establish a Resolution Corporation to monitor financial firms (along with regulators), and resolve them in an orderly fashion in case of failure. The FRDI Bill is designed to strengthen the system by adding a comprehensive resolution regime that will help ensure that, in the event of a failure of a financial service provider, there is a system of quick, orderly and efficient resolution in favour of depositors.

On February 12, 2018, the RBI released new guidelines (effective March 1, 2018) for the resolution of stressed assets. These cause even further acceleration in recognition of stressed assets especially for accounts larger than ₹ 20 billion, which were previously governed by various RBI stressed asset resolution dispensations. The new guidelines also mean higher provisioning requirements as accounts need to be referred to the National Company Law Tribunal under the IBC within 180 days of initiating the resolution process.

(*Source: RBI Report on Trend and Progress of Banking in India 2016-17, RBI press releases.*)

Commercial Banking Trends

Credit

An environment characterised by slowing economic activity weighed on the credit growth, which fell to a record low of 3.6% in February 2017 before recovering to 9.3% in December 2017 (year on year). With the persisting deceleration in credit and the sizeable influx of deposits post demonetization, the credit-deposit ("**C-D**") ratio of banks, on an outstanding basis, sharply declined to 73.0% as at the end of March 2017 from 78.2% in the previous year, and stood at 73.4% as of November 2017. On the whole, the credit outlook has improved since early 2017.

At the aggregate level, growth in non-food credit decelerated during Fiscal Year 2017, however based on the latest announcement by the RBI for December 2017, the segment has grown by 10% year on year. Credit to industries, which accounted for 36.4% of total non-food credit as of December 2017, contracted. Credit to the services sector, especially in the trade segment, picked up. With respect to non-bank financial companies ("**NBFCs**"), which accounted for more than one-fifth of the credit to the services sector, growth remained in the double-digits. Credit to agriculture and allied activities and personal loans also experienced deceleration in growth.

Housing loans within the retail loans category, which account for more than half of the retail loan portfolio of banks, decelerated sharply, attributable to the transitory effects of demonetisation and uncertainty risk weights and provisioning on standard assets on certain categories of individual housing loans, were reduced with a view to providing a boost to the housing segment. Auto loans, another major component of retail loans, continued to record robust growth, albeit with some deceleration in Fiscal Year 2017. Likewise, credit was robust in respect of consumer durables and credit card loans while education loans slowed down and advances against fixed deposits shrank. Priority sector credit growth slowed sharply during the year in line with deceleration in overall credit. But private sector banks exceeded the overall priority sector target of 40% of Adjusted Net Bank Credit ("**ANBC**"), though shortfalls were reported in certain sub-targets in respect of total agriculture, small and marginal farmers, non-corporate individual farmers and weaker sections.

Credit to sensitive sectors decelerated during Fiscal Year 2017. The real estate sector, which accounts for 93% of total loans to sensitive sectors was adversely impacted by demonetisation, which was also reflected in credit demand.

(*Source: RBI Report on Trend and Progress of Banking in India 2016-17.*)

Interest rates and inflation

Inflation, as measured by the CPI, moderated during Fiscal Year 2017, with the average CPI level declining to 4.5% in Fiscal Year 2017 from 4.9% in Fiscal Year 2016. A range of supply side measures, including prudent food stock management, appropriate monetary policy action and subdued global commodity prices led to the decline in inflation. The decline in domestic inflation allowed the RBI to cut its policy rate by 50 basis points over the course of Fiscal Year 2017.

The fall in inflation continued in early Fiscal Year 2018, with the CPI falling to a series low of 1.5% in June 2017 driven by both lower food and core inflation. However, based on statistics published by the RBI for March 2018, the CPI has picked up again and stood at 4.3%.

The monetary policies of the RBI play a major role in managing India's inflation. These policies are largely steered by the Monetary Policy Framework Agreement entered into on February 20, 2015 between the Government and the RBI. The key agenda for the RBI was to: (i) entrench a durable process to deflate consumer price index inflation; (ii) improve transmission of the policy rate to bank lending rates by ensuring appropriate liquidity management which is aligned with the monetary policy stance; and (iii) dampen the volatility of the weighted average call rate and other money market rates around the repo rate.

The RBI has constantly relied on adjustments of the repo rate to meet its policy agenda. It decided to keep the policy rate unchanged at 6.25% in its first bi-monthly report in April 2017 and the status quo was maintained in its second bi-monthly report in June 2017. In August 2017, the third bi-monthly monetary policy committee decided to reduce the policy repo rate by 25 basis points to 6.00% due to a steady fall in CPI inflation. The RBI, in its monetary policy announcement on April 5, 2018 kept rates unchanged but increased its policy repo rate to 6.25% in its monetary policy announcement on June 6, 2018. (*Source: RBI, Monetary Policy Report October 2017, Monetary Policy Statement as of April 5, 2018, and Second Bi-monthly Monetary Policy Statement, 2018-19 Resolution of the Monetary Policy Committee (MPC) Reserve Bank of India, http://www.rbi.org.in, available as of May 7, 2018.*)

Base rate system and the marginal cost of funds based lending rate

The base rate system, which replaced the benchmark prime lending rate system introduced in 2003, became effective from July 2010 and has contributed to improvement in the pricing of loans, enhanced transparency in lending rates and has improved the assessment of the transmission of monetary policy. *(Source: RBI, Master Circular - Interest Rates on Advances, July 1, 2014.)* This, combined with freeing of interest rates on export credit in foreign currency, effective May 5, 2012, has resulted in complete deregulation of interest rates on lending by commercial banks. As proposed in the RBI Second Quarter Review of Monetary Policy 2010-11 and pursuant to Guidelines on Deregulation of Savings Bank Deposit Interest Rate, the RBI decided to deregulate the savings bank deposit interest rate, effective October 25, 2011, subject to the following two conditions:

- first, each bank will have to offer a uniform interest rate on savings bank deposits up to ₹ 100,000, irrespective of the amount in the account within this limit; and
- second, for savings bank balances over ₹ 100,000, a bank may provide differential rates of interest, if it so chooses. However, there should not be any differentiation on interest rates between similar deposit amounts accepted on the same date at any of a bank's branches.

On December 17, 2015, the RBI also released the final guidelines on computing interest rates on advances based on the marginal cost of funds. These guidelines came into effect on April 1, 2016 with the introduction of the MCLR system under which new rupee loans and renewal of credit limits are priced with reference to the MCLR. *(Source: RBI, Interest Rates on Advances, December 17, 2015)* Apart from helping to improve the transmission of policy rates into the lending rates of banks, these measures were also expected to improve transparency in the methodology followed by banks for determining interest rates on advances. The guidelines were also expected to ensure availability of bank credit at interest rates which are fair to the borrowers as well as the banks. Further, marginal cost pricing of loans was expected to help the banks become more competitive and enhance their long-run value and contribution to economic growth.

As per these guidelines issued by the RBI, banks have to publish the MCLR for various tenors which will be the internal benchmark lending rates. Based on the MCLR, interest rates for different types of customers should be fixed in accordance with their respective risk profiles.

The MCLR is to be reviewed and published every month. According to these guidelines, banks have to set five benchmark rates for different tenures or time periods ranging from overnight (one day) rates to one year. The new methodology uses the marginal cost or latest cost conditions reflected in the interest rate given by the banks for obtaining funds while setting their lending rate. (*Source: RBI Annual Report 2015-16.*)

The MCLR, which was expected to improve monetary policy transmission to banks' lending rates, has not performed as expected. The introduction of MCLR resulted in better transparency on fixing of lending rates by banks vis-à-vis the base rate system. Preliminary evidence suggests that while transmission of the policy rate to MCLR has improved, the transmission to lending rates has remained muted. This is because banks often adjust the spread they charge over MCLR – both in respect of the outstanding rupee loans and fresh rupee loans sanctioned by banks. While some change in the spread is inevitable due to sector-specific factors and the underlying risk, banks appeared to have also changed spreads to improve their net interest margins (i.e., the difference between interest income and interest expenditure) to compensate for increased credit risk. RBI will be conducting a study to examine various aspects of MCLR with a view to bringing necessary refinements and exploring market rates as alternative benchmarks. (*Source: RBI Annual Report 2016-17.*)

Since December 2017 and January 2018, respectively, deposit and lending rates have begun to inch up in line with interest rates in other financial market segments. With the transition of system-level liquidity from surplus towards neutrality, banks have started raising their interest rates in a sequence beginning with bulk term deposit rates, retail term deposit rates and on to MCLRs. The reduction in the share of current account and savings account ("**CASA**") deposits of banks from 40.9% in September 2017 to 39.8% in mid-March 2018 could also be exerting upward pressure on the cost of funding. The one-year median MCLR of private sector banks and foreign banks increased by 10 bps and 5 bps, respectively, during January-February 2018. Further, the one-year median MCLR of both public sector banks and foreign banks increased by 5 bps and 3 bps, respectively, during March. (*Source: RBI, Monetary Policy Report April 2018.*)

The RBI, in its monetary policy announcement on February 7, 2018, announced that effective April 1, 2018, the base rate would be linked to the MCLR. The RBI noted that a large proportion of bank loans continue to be linked to base rate despite the central bank's highlighting this concern in its earlier monetary policy statements.

Asset quality

The gross NPA ratio of scheduled commercial banks increased from 9.6% in March 2017 to 10.2% in September 2017, pushing the overall stressed advances ratio to 12.2% from 12.1% during the same period. Public sector banks registered a gross NPA ratio of 13.5% and stressed advances ratio of 16.2% as of September 2017. The CRAR of scheduled commercial banks increased from 13.6% to 13.9% from March to September 2017. The common equity tier leverage ratio for scheduled commercial banks also improved from 6.0% to 6.2% in the same period. The Indian banking sector, as a whole, has maintained its CRAR above the regulatory requirement of 9.0% under Basel III. (*Source: RBI Financial Stability Report No. 16 (December 2017)*).

Across the industry, banks have been making efforts to reduce the amount of NPAs via various legal dispute resolution channels such as Lok Adalats, Debt Recovery Tribunals and the invocation of the SARFAESI Act. The SCBs recovered ₹ 280 billion as against approximately ₹ 228 billion during the previous year. During the Fiscal Year 2017, DRTs made the highest amount of recovery, followed by the SARFAESI Act and Lok Adalats. The significant improvement in the case of DRTs was due to opening of new tribunals, strengthening existing infrastructure and computerised processing of court cases (*Source: RBI Report on Trend and Progress of Banking in India 2016-17*).

The IBC was enacted on May 28, 2016 with the aim to consolidate the laws relating to insolvency of companies and limited liability entities (including Limited Liability Partnerships ("**LLPs**") and other entities with limited liability), unlimited liability partnerships and individuals, presently contained in a number of legislations, into a single legislation. Following the enacting of the IBC, the National Company Law Tribunal has seen 2,434 cases filed before it and 2,304 cases transferred from various High Courts. as of November 30, 2017. Out of these, a total number of 2,750 cases have been disposed of and 1,988 cases were pending as of November 30, 2017. (*Source: Government of India, Ministry of Finance, Response to Question in Parliament of India on December 12, 2017, http://164.100.47.190/loksabhaquestions/annex/13/AU120.pdf, available as of May 7, 2018.*) In May 2017, additional powers were given to the RBI to issue directions to any banking company to initiate insolvency resolution processes in respect of default under the provisions of the IBC. The Internal Advisory Committee ("**IAC**") of the RBI has since identified accounts for immediate reference for bankruptcy proceedings (*Source: Press Information Bureau, Government of India, http://pib.nic.in/newsite/PrintRelease.aspx?relid=171900, available as of May 7, 2018.*) On February 8, 2018, the Insolvency and Bankruptcy Board of India ("**IBBI**") further amended the Insolvency and Bankruptcy Board of India (Fast Track Insolvency Resolution Process for Corporate Persons) Regulations, 2017 *(Source: Press Information Bureau, Government of India, http://www.pib.nic.in/PressReleseDetail.aspx?PRID= 1519741, available as of May 7, 2018.)*

Implementation of the Basel III Capital Regulations

In December 2010, the Basel Committee on Banking Supervision ("**BCBS**") issued a comprehensive reform package of capital regulations, the Basel III Capital Regulations. The objective of the reform package is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus reducing the risk of spill over from the financial sector to the real economy. The RBI issued the RBI Basel III Capital Regulations and the guidelines became operational from April 1, 2013. However, the reform package and guidelines will be implemented in a phased manner. On December 31, 2013, the RBI further extended the implementation of credit valuation adjustment risk to April 1, 2014; and, on March 27, 2014, extended the deadline for full implementation of the Basel III requirements to March 31, 2019. (*Source: RBI Circular DBOD.No.BP.BC.81/21.06.201/2013-14 dated December 31, 2013 and RBI Circular DBOD.No.BP.BC.102/21.06.201/2013-14 dated March 27, 2014.*)

Under the Basel III Capital Regulations, total capital of a bank in India must be at least 9.00% of RWAs (8.00% as specified by the BCBS), Tier I capital must be at least 7.00% of RWAs (6.00% as specified by the BCBS) and Common Equity Tier I capital must be at least 5.50% of RWAs (4.50% as specified by BCBS). Due to the transitional arrangements, the capital requirements of banks may be lower during the initial periods and higher during later years. Therefore, banks have been advised to carry out their capital planning accordingly. In addition to the minimum requirements as indicated above, banks are required to maintain a capital conservation buffer ("**CCB**") in the form of common equity of 2.50% of RWAs. Under the RBI Basel III Guidelines, total capital with CCB has been fixed at 11.50% of RWAs. In July 2014, the RBI released the "Final Report of the Internal Working Group on Implementation of Counter-cyclical Capital Buffer (CCCB)", which requires banks to maintain a buffer of up to 2.50% of RWAs in period of high credit growth as precaution for downturn. Further, as per the RBI's release on "Framework for Dealing with Domestic Systemically Important Banks (D-SIBs)" dated July 22, 2014, domestic systematically important banks ("**D-SIBs**") must have incremental capital of 0.20% to 0.80% and the quantum of capital required is dependent upon size, interconnectedness, substitutability and complexity of the bank.

Further, under the Basel III Capital Regulations, a simple, transparent, non-risk based leverage ratio has been introduced. The BCBS tested a minimum Tier I leverage ratio of 3.00% during a parallel run period from January 1, 2013 to January 1, 2017. The RBI has prescribed that, during this parallel run period, banks should strive to maintain their existing leverage ratios, but in no case should a bank's leverage ratio fall below 4.50%. Banks whose leverage is below 4.50% have been advised to achieve this target as early as possible. This leverage ratio requirement is yet to be finalised and will be finalised taking into account the final proposals of the BCBS. *(Source: RBI Annual Report 2011-2012.)* Additionally, in June 2014, the RBI released guidelines on liquidity coverage ratio ("**LCR**") as part of the Basel III framework on liquidity standards, which will require minimum LCRs starting at 60% as at January 1, 2015, increasing in equal annual steps to 100.00% by January 1, 2019.

Further, Additional Tier I non-equity capital instruments under the Basel III Capital Regulations are expected to provide additional features such as full coupon discretion, and principal loss absorption when the common equity ratio of a bank falls below 6.125% of its risk-weighted assets. In the case of Tier II non-equity capital instruments, the distinction between Upper Tier II and Lower Tier II instruments under Basel II is removed and a single class of Tier II instrument eligibility criteria has been prescribed. Additionally, under the Basel III Capital Regulations, loss absorption features have been included in the event of the occurrence of the "Point of Non-Viability" trigger. The RBI has also fixed the base at the nominal amount of capital instruments outstanding on January 1, 2013, and their recognition will be capped at 90.00% from January 1, 2013, with the cap reducing by 10.00% points in each subsequent year.

On September 4, 2017, the Bank was added to the list of D-SIBs, joining the SBI and ICICI Bank Limited. As designated D-SIBs, the SBI, ICICI Bank Limited and the Bank will have to meet, by April 1, 2019, an additional Common Equity Tier 1 ("**CET1**") buffer requirement of 0.60%, 0.20% and 0.20% as a percentage of RWA, respectively. As the CET1 requirement is implemented in phases, the CET1 requirement for SBI and ICICI Bank Limited were 0.30% and 0.10% for Fiscal 2018, and 0.45% and 0.15% from April 1, 2018, respectively; the CET1 requirement for the Bank would only come into effect from April 1, 2018, at 0.15%. The CET1 requirements are applied in addition to the capital conservation buffer requirement.

Income and profitability

During Fiscal Year 2017, there was a 28.6% increase in net profits for Scheduled Commercial Banks sector as a whole, as compared to a 61.7% decline in the previous Fiscal Year, largely driven by deterioration in asset quality has led to an increase in the provisioning measures for such non-performing assets. The private banks and foreign banks both reported net profits, however due to persisting asset quality issues, the public sector banks incurred losses. Return on equity and return on assets for the scheduled commercial banks increased from 3.58% and 0.40% in Fiscal Year 2016 to 4.16% and 0.35%, respectively, in Fiscal Year 2017. However, the lower returns are largely reflective of the drag from poor performance of the public sector banks. Private Banks in Fiscal Year 2017 were able to generate return on equity and return of asset of 11.87% and 1.30% respectively. (*Source: RBI Report on Trend and Progress of Banking in India 2016-17.*)

Other Developmental and Regulatory Measures

- The Board for Financial Supervision has approved the review, update and finalization of the existing Prompt Corrective Action ("**PCA**") framework for banks. Under the PCA framework, bank leverage is monitored, and indicators which trigger the updated PCA include the failure to meet capital ratios, NNPA ratio and return on assets. Banks subject to the PCA framework are required to conform to such mandatory and discretionary actions as decided by the RBI.

- The Goods and Services Tax ("**GST**") has been implemented with effect from July 1, 2017 and has replaced the indirect taxes on goods and services such as central excise duty, service tax, central sales tax, state VAT and surcharge currently being collected by the central and state governments. The GST is expected to be applied to banking transactions, which will increase the tax incidence and administrative compliance costs for banks.

- Demonetization has had a significant impact on the balance sheet of scheduled commercial banks, both in terms of size and composition.

  - Between October 28, 2016 (prior to demonetization) and January 6, 2017 (post demonetization), total currency in circulation declined by about ₹ 8,800 billion. With the return of specified bank notes ("**SBNs**") to the banking system, there was a sharp increase of about ₹ 6,720 billion in aggregate deposits of the banking system. This sudden increase in deposits has created large surplus liquidity conditions in the banking system. (*Source: RBI Macroeconomic Impact of Demonetization - A Preliminary Assessment, March 10, 2017.*)

  - Re-monetization has been progressing at a fast pace. Between end of December 2016 and early March 2017, there was a net increase in currency in circulation by approximately ₹ 2,600 billion. During this period, deposits with banks also declined moderately. With progressive re-monetization, the surplus liquidity in the banking system declined from a peak of ₹ 7,956 billion on January 4, 2017 to an average of ₹ 6,014 billion in February and further down to ₹ 4,806 billion in March. Importantly, currency in circulation in terms of number of pieces and value has been steadily rising during this period. (*Source: RBI Macroeconomic Impact of Demonetization- A Preliminary Assessment, March 10, 2017.*)

  - Post-demonetization, there has been a surge in the CASA deposits of banks. The sharp increase of 4.10% in the share of CASA deposits in aggregate deposits to 39.30% (up to February 17, 2017) resulted in a reduction in the cost of aggregate deposits. The cost of CASA at 3.20% is significantly lower than the weighted average term deposit rate at 7.10%. Banks have also lowered their term deposit rates; the median term deposit rate declined by 38 basis points during the period from November 2016 to February 2017. The decline in the cost of funding resulted in decline in the one year median MCLR by as much as 70 basis points post-demonetization (November 2016-February 2017). (*Source: RBI, Macroeconomic Impact of Demonetization – A Preliminary Assessment, March 10, 2017.*)

  - Amidst structural surplus liquidity conditions in the banking system, investment demand was also expected to benefit from the improved transmission of the cumulative 175 basis point cut in the repo rate to lending rates as at March 10, 2017. Many banks reduced their MCLR post-demonetization. The positive revenue impact stemming from better reporting of transactions and tax enforcement/compliance was also expected to create space for higher public investment. As at March 10, 2017, the overall business climate was expected to improve as the medium term positive effects of demonetization start to gain traction. (*Source: RBI, Macroeconomic Impact of Demonetization-A Preliminary Assessment, March 10, 2017.*)

- Under the SARFAESI Act, 2002, the minimum requirement for ₹ 20 million of owned funds for asset reconstruction companies ("**ARCs**") was amended in 2016 to ₹ 20 million of net owned funds. In view of the enhanced role of ARCs and greater cash based transactions, a minimum net owned funds of ₹ 1 billion for ARCs has been proposed.

- On May 18, 2017, the RBI issued final guidelines on banking outlets, clarifying the definition and harmonizing the treatment of different forms of bank presence for the purpose of opening outlets in underserved areas. These superseded the branch licensing guidelines in force.

- SEBI has put in place regulations for Real Estate Investment Trusts and Infrastructure Investment Trusts and requested the RBI to allow banks to participate in these schemes. Currently, banks are allowed to invest in equity-linked mutual funds, venture capital funds and equities to the extent of 20% of their net owned funds.

Future Outlook and Key Trends

The health of Indian banking sector is affected by various factors, such as changes in the economic conditions of the Indian and global economy, changes in the interest rate environment, movements in global commodity markets and exchange rates, increased global competition, changes in Indian laws, regulations and policies, and rising or falling unemployment. Although

India’s financial system remains stable due to heavy regulation, the stress on the banking sector, particularly the public sector banks, remains significant.

Going forward, banks will need to move towards the mandated higher capital standards, stricter liquidity and leverage ratios and a more cautious approach to risk. This implies that Indian banks will need to improve efficiency even as their costs of doing business increase. They will need to refine their risk management skills for enterprise-wide risk management. In addition, banks need to have in place a fair and differentiated risk pricing of products and services, since capital comes at a cost. This involves costing, a quantitative assessment of revenue streams from each product and service and an efficient transfer-pricing mechanism that would determine capital allocation.

Due to the demonetization and digitization push by the Government, banks will also need to develop their digital banking infrastructure to provide mobile and online services to their customers. These services would not only have to facilitate online payments and transactions, but also the creation of new accounts and the checking of existing accounts.

Banks will need to effectively utilize the various measures put in place by the RBI and the Government for the resolution and recovery of bad loans in order to reduce the NPAs on their books. They also have to strengthen their due diligence, credit appraisal and post-sanction loan monitoring systems to minimize and mitigate the problem of increasing NPAs during Fiscal Year 2018 and beyond.

BUSINESS

Overview

We are a new generation private sector bank in India and the largest private sector bank in India by total assets as of March 31, 2018. Our goal is to be the preferred provider of financial services to our customers in India across metro, urban, semi-urban and rural markets. Our strategy is to provide a comprehensive range of financial products and services to our customers through multiple distribution channels, with what we believe are high quality services, advanced technology platforms and superior execution.

We have three principal business activities: retail banking, wholesale banking and treasury operations. Our retail banking products include deposit products, loans, credit cards, debit cards, third-party mutual funds and insurance products, investment advice, bill payment services, loans to small and medium enterprises and other services. On the wholesale banking front, we offer customers a range of financing products, such as documentary credits and bank guarantees, foreign exchange and derivative products, investment banking services and corporate deposit products. We offer a range of deposit and transaction banking services, such as cash management, custodial and clearing bank services and correspondent banking. Our treasury operations manage our balance sheet, and include customer driven services such as advisory services related to foreign exchange and derivative transactions for corporate and institutional customers, supplemented by proprietary trading, including Indian Government securities. Further, our non-banking finance company ("**NBFC**") subsidiary HDB Financial Services Limited ("**HDBFSL**"), offers loan and asset finance products including tractor loans, consumer loans and gold loans, as well as a range of business process outsourcing solutions. We provide our customers brokerage accounts through our subsidiary HDFC Securities Limited ("**HSL**").

We are constantly working to develop new technology and improve the digital aspects of our business. For example, we have recently invested in a digital banking platform, Backbase, to give a single unified omni-channel experience to our customers for mobility banking, online banking, the public website and payments. We have implemented mobile data based networking options in semi-urban and rural areas where telecom infrastructure and data connectivity are weak, and other recent technological developments include mobile banking applications, person-to-person smartphone payment solutions, secure payment systems and a virtual relationship manager for high net worth customers.

We have grown rapidly since commencing operations in January 1995. As of March 31, 2018, we had 4,787 branches, 12,635 ATMs in 2,691 cities and towns and 43.6 million customers. On account of the expansion in our geographical reach and the resultant increase in market penetration, our assets have grown from ₹ 5,957.0 billion as of March 31, 2015 to ₹ 10,639.3 billion as of March 31, 2018, the largest of any private sector bank in India at such date. Our net income has increased from ₹ 102.2 billion for Fiscal Year 2015 to ₹ 174.9 billion for Fiscal Year 2018. Our advances and deposits as of March 31, 2018 stood at ₹ 6,583.3 billion and ₹ 7,887.7 billion respectively. Across business cycles, we believe we have maintained a strong balance sheet and a low cost of funds. As of March 31, 2018, gross non-performing advances as a percentage of gross advances was 1.30%, while net non-performing advances constituted 0.40% of net advances. In addition, our net advances represented 83.5% of our deposits and our deposits represented 74.1% of our total liabilities and shareholders' equity. The non-interest bearing current accounts and low-interest bearing savings accounts represented 43.5% of total deposits as of March 31, 2018. These low-cost deposits and the cash float associated with our transactional services led to an average cost of funds (including equity) of 4.3% for Fiscal Year 2018. We had a return on equity (net profit as a percentage of average total shareholders' equity) of 18.2% for Fiscal Year 2018 and 18.0% for the Fiscal Year 2017, and at March 31, 2018 had a total capital adequacy ratio (calculated pursuant to RBI guidelines) of 14.82%. Our CET-I ratio was 12.25% as at March 31, 2018.

About Our Bank

HDFC Bank was incorporated in August 1994 and commenced operations as a scheduled commercial bank in January 1995. In 2000, Times Bank Limited amalgamated with us and, in 2008, we acquired Centurion Bank of Punjab Limited ("**CBoP**"). We are part of the HDFC group of companies established by our principal shareholder, Housing Development Finance Corporation Limited ("**HDFC Limited**"), a listed public limited company established under the laws of India. HDFC Limited is primarily engaged in financial services, including mortgages, property-related lending and deposit services. The subsidiaries and associated companies of HDFC Limited are also largely engaged in a range of financial services, including asset management, life insurance and general insurance. HDFC Limited and its subsidiaries owned 20.93% of our outstanding equity shares as of March 31, 2018 and our Chairperson and Managing Director are nominated by HDFC Limited and appointed with the approval of our shareholders and the RBI. See also the section "*Principal Shareholders*". We have no agreements with HDFC Limited or any of its group companies that restrict us from competing with them or that restrict HDFC Limited or any of its group companies from competing with our business. We currently distribute products of HDFC Limited and its group companies, such as home loans of HDFC Limited, life and general insurance products of HDFC Standard Life Insurance Company Limited and HDFC ERGO General Insurance Company Limited, respectively, and mutual funds of HDFC Asset Management Company Limited. We also have American Depositary Receipts ("**ADRs**") representing a certain number of our equity shares that are traded on the New York Stock Exchange ("**NYSE**").

We have two Subsidiaries, as per local laws: HDBFSL and HSL. HDBFSL is a non-deposit taking NBFC engaged primarily in the business of retail asset financing. HDBFSL's total assets and shareholders' equity as of March 31, 2018 were ₹ 447.5 billion and ₹ 62.0 billion, respectively. HDBFSL's net profit was ₹ 9.5 billion for Fiscal Year 2018. As of March 31, 2018, HDBFSL had 1,165 branches across 831 cities in India. HSL is primarily in the business of providing brokerage and other investment services through the internet and other channels. HSL's total assets and shareholders' equity as of March 31, 2018 were ₹ 16.4 billion and ₹ 10.0 billion, respectively. HSL's net profit was ₹ 3.4 billion for Fiscal Year 2018. On December 1, 2016, Atlas Documentary Facilitators Company Private Ltd. ("**ADFC**"), which provided back office transaction processing services to us, and its subsidiary HBL Global Private Ltd. ("**HBL**"), which provided direct sales support for certain products of the Bank, amalgamated with HDBFSL.

Our principal corporate and registered office is located at HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India. Our telephone number is 91-22-6652-1000.

Our Competitive Strengths

We attribute our growth and continuing success to the following competitive strengths:

We have a strong brand and extensive reach through a large distribution network

At HDFC Bank, we are focused on understanding our customers' financial needs and providing them with relevant banking solutions. We are driven by our core values - customer focus, operational excellence, product leadership, sustainability and people. This has helped us grow and achieve our status as the largest private sector bank in India by total assets as of March 31, 2018, while delivering value to our customers, stakeholders, employees and our community. HDFC Bank is one of the most trusted and preferred bank brands in India. We have been acknowledged as "India's Most Valuable Brand" by BrandZ for the fourth consecutive year and were named the Best Domestic Bank – India by the Asiamoney India Banking Awards in 2017. We have capitalised on our strong brand by establishing an extensive branch network throughout India serving a broad range of customers in urban, semi-urban and rural regions. As of March 31, 2018, we had 4,787 branches and 12,635 ATMs in 2,691 cities and towns and over 43.6 million customers, and of our total branches, 53% were in the semi-urban and rural areas. Our branch network is further complemented by our digital strategy, including online and mobile banking solutions, to provide our customers with access to on-demand banking services, which we believe allows us to develop strong and loyal relationships with our customers. We have aligned with the times in leveraging new technology to offer all banking solutions through the digital platform, which can be accessed by customers across devices of their choice.

We provide a wide range of products and high quality service to our clients in order to meet their banking needs

Whether in retail banking, wholesale banking or treasury operations, we consider ourselves a "one-stop shop" for our customers' banking needs. We consider our high quality service offerings to be a vital component of our business and believe in pursuing excellence in execution through multiple internal initiatives focused on continuous improvement. This pursuit of high quality service and operational execution directly supports our ability to offer a wide range of banking products.

Our retail banking products include deposit products, retail loans (such as vehicle and personal loans), and other products and services, such as private banking, depositary accounts, brokerage services, foreign exchange services, distribution of third party products (such as insurance and mutual funds), bill payments and sales of gold and silver bullion. In addition, we are the largest credit card issuer in India with 10.7 million cards outstanding as of March 2018, and the second largest card issuer (across both debit and credit cards) amongst private sector banks in India, with 35.0 million total cards outstanding as of March 2018. On the wholesale banking side, we offer customers working capital loans, term loans, bill collections, letters of credit, guarantees, foreign exchange and derivative products and investment banking services. We also offer a range of deposit and transaction banking services such as cash management, custodial and clearing bank services and correspondent banking. We believe our large scale and low cost of funds enable us to pursue high quality wholesale financing opportunities competitively and at an advantage compared to our peers. We collect taxes for the Government and are bankers to companies in respect of issuances of equity shares and bonds to the public. Our NBFC subsidiary HDBFSL, offers loan and asset finance products including tractor loans, consumer loans and gold loans, as well as business process outsourcing solutions such as forms processing, documents verification and back-office services.

We are able to provide this wide range of products across our branch network, meaning we can provide our targeted rural customers with banking products and services similar to those provided to our urban customers, which we believe gives us a competitive advantage. Our wide range of products and focus on superior service and execution also create multiple cross-selling opportunities for us and, we believe, promote customer retention.

We have achieved robust and consistent financial performance while maintaining a healthy asset quality during our growth

On account of our superior operational execution, broad range of products, expansion in our geographical reach and the resulting increase in market penetration through our extensive branch network, our assets have grown from ₹ 5,957.0 billion as of March 31, 2015 to ₹ 10,639.3 billion as of March 31, 2018. Our advances in the three-year period ended March 31, 2018 grew at a compounded annual growth rate ("**CAGR**") of 21.8%. Our net interest margin was 4.4% in Fiscal Year 2015 and 2018. Our current and savings account deposits as a percentage of our total deposits were 43.5% as of March 31, 2018, and we believe this strong current and savings account profile has enabled us to tap into a low cost fund base. In addition to the significant growth in our assets and net revenue, we remain focused on maintaining a healthy asset quality. We continue to have low levels of NPAs as compared to the average levels in the Indian banking industry. Our gross non-performing advances as a percentage of gross advances was 1.30% as of March 31, 2018 and our net non-performing advances was 0.40% of net advances as of March 31, 2018. Our net income has increased from ₹ 102.2 billion for Fiscal Year 2015 to ₹ 174.9 billion for Fiscal Year 2018. Net income as a percentage of average total shareholders' equity was 18.0% in Fiscal Year 2017 and 18.2% in Fiscal Year 2018 and net income as a percentage of average total assets was 1.9% in Fiscal Year 2017 and Fiscal Year 2018. We believe the combination of strong net income growth, robust deposit-taking, a low cost of funds and prudent risk management has enabled us to generate attractive returns on capital.

We have an advanced technology platform

We continue to make substantial investments in our advanced technology platform and systems and expand our electronically linked branch network. We have implemented mobile data based networking options in semi-urban and rural areas where telecom infrastructure and data connectivity are weak. These networks have enabled us to improve our core banking services in such areas and provide a link between our branches and data centers.

Our aim has always been to improve customer experience through digital innovation as an "Experiential Leader" and we are constantly working to develop new technology and improve the digital aspects of our business. We have recently invested in a digital banking platform, Backbase, to give a single unified omni-channel experience to our customers for mobility banking, online banking, the public website and payments. The first phase of our mobile banking app has been rolled out to consumers, while our forward outlook and initiatives taken in AI-led conversational banking have helped us introduce information, assistance and commerce chatbots. Furthermore, with the pilot launch of "IRA" (Intelligent Robotic Assistant), an interactive humanoid placed in a branch to help in servicing, we set a benchmark for what we believe to be a best in class digital experience for customers. Other recent major technological developments include LITE App (a bilingual mobile banking application that does not require an internet connection); Missed Call Recharge to top-up prepaid mobile phone minutes; a person-to-person smartphone payment solution called "Chillr"; PayZapp with SmartBuy, a payment system to improve the Bank's e-commerce processing capabilities; and the creation of a virtual relationship manager for high net worth customers. We have also rolled out product innovations like personal loans in 10 Seconds for salaried accounts and "Digital Loan Against Securities (LAS) in under three minutes in three easy steps ".

We have a dedicated digital innovation team to research and experiment with technology, which hosts a Digital Innovation Summit annually to attract new talent and business opportunities from the financial technology space. In addition, we have developed robust data analytic capabilities that allow us to cross-sell our products to customers through both traditional relationship management and interactive, on-demand methods depending on how customers choose to interact with us. We believe that our direct banking platforms are stable and robust, enabling new ways to connect with our customers to cross-sell various products and improve customer retention.

We believe the increased availability of internet access and broadband connectivity across India requires a comprehensive digital strategy to proactively develop new methods of connecting with customers. We are in the process of putting in place advance models of these methods that we term "BBC" (Biometrics – BlockChain) ("**BBC Initiative**"), together with conversational banking which is already in place (for example, our service Missed Call Commerce and Conversational Banking (MCCB)). We believe the BBC Initiative, which is most relevant for our connected customers, can help protect customer identity and establish authenticity (Biometrics) and promote secure and efficient interactions between customers and us (Blockchain), with an improved customer experience coming through artificial intelligence initiatives (Conversational Banking). For our customers with intermittent, limited or even no connectivity, or customers with evolving digital needs or preferences, we have introduced the MCCB service model and HDFC Bank LITE Banking (multilingual). We are continuously striving to improve our customers' banking experience, offering them a range of products tailored to their financial needs and making it easier for them to access and transact their banking accounts with the Bank.

In recent years we have been honored for our commitment to technology, including the Cisco-CNBC TV 18 Digitizing India Award for Innovations in the Financial Industry and Digital Banking, the IBA Banking Technology Award for Best Bank- IT Risk and Cyber Security Initiatives in 2017 the Best Bank – Banking Technology Excellence Award from IDRBT Banking Technology and the Businessworld Digital Leadership Award 2017 for Best Analytics Implementation. We believe our "Experiential Leadership" strategy and culture of innovation and development will be a crucial strength in remaining competitive in the years to come.

We have an experienced management team

Many of the members of our management have had a long tenure with us, which gives us a deep bench of experienced managers. They have substantial experience in banking or other industries and share our common vision of excellence in execution. Having a management team with such breadth and depth of experience is well suited to leverage the competitive strengths we have already developed across our large, diverse and growing branch network as well as allowing our management team to focus on creating new opportunities for our business. See also the section entitled "*Management*".

Our Business Strategy

Our business strategy emphasizes the following elements:

Increase our market share of India's expanding banking and financial services industry

In addition to benefiting from the overall growth in India's economy and financial services industry, we believe we can increase our market share by continuing to focus on our competitive strengths, including our strong HDFC Bank brand and our extensive branch and ATM networks, to increase our market penetration. We believe we can expand our market share by focusing on developing our digital offerings to target mass markets across India. We believe digital offerings will position us well to capitalize on growth in India's banking and financial services sector, arising from India's emerging middle class and growing number of bankable households. We believe we can also capture an increased market share by expanding our branch footprint, particularly by focusing on rural and semi-urban areas. As of March 31, 2018, we had 4,787 branches and 12,635 ATMs in 2,691 cities and towns. We believe these areas represent a significant opportunity for our continued growth as we expand banking services to those areas which have traditionally been underserved and which, by entering such markets, will enable us to establish new customer bases. We also believe that delivering banking services which are integrated with our existing business and product groups helps us to provide viable opportunities to the sections of the rural and semi-urban customer base that is consistent with our targeted customer profile throughout India.

Continue our investments in technology to support our digital strategy

We believe the increased availability of internet access and broadband connectivity across India requires a comprehensive digital strategy to proactively develop new methods of reaching our customers. As a result, we are continuously investing in technology as a means of improving our customers' banking experience, offering them a range of products tailored to their financial needs and making it easier for them to interact with their banking accounts with us. We believe our culture of innovation and development to be crucial to remaining competitive. As part of our dedication to digitization and technological development, we have appointed a digital innovation team to research, develop and experiment with new technologies. In February 2017, we hosted our Digital Innovation Summit to tap into emerging technological trends and innovations in the financial technology space. While we currently provide a range of options for customers to access their accounts, including internet banking, telephone banking, and banking applications on mobile devices, we believe additional investments in our technology infrastructure to further develop our digital strategy will allow us to cross-sell a wider range of products on our digital platform in response to our customers' needs and thereby expand our relationship with our customers across a range of customer segments. We believe a comprehensive digital strategy will provide benefits in developing long-term customer relationships by allowing customers to interact with us and access their accounts wherever and whenever they desire.

Cross-sell our broad financial product portfolio across our customer base

We are able to offer our complete suite of financial products across our branch network, including in our rural locations. By matching our broad customer base with our ability to offer our complete suite of products to both rural and urban customers across the retail banking, wholesale banking and treasury product lines, we believe that we can continue to generate organic growth by cross-selling different products by proactively offering our customers complementary products as their relationships with us develop and their financial needs grow and evolve.

Maintain strong asset quality through disciplined credit risk management

We have maintained high quality loan and investment portfolios through careful targeting of our customer base, and by putting in place what we believe are comprehensive risk assessment processes and diligent risk monitoring and remediation procedures. Our gross non-performing advances as a percentage of gross advances was 1.30% as of March 31, 2018 and our net non-performing advances as a percentage of net advances was 0.40% as of March 31, 2018. We believe we can maintain strong asset quality appropriate to the loan portfolio composition while achieving growth.

Maintain a low cost of funds

We believe we can maintain a relatively low-cost funding base as compared to our competitors, by leveraging our strengths and expanding our base of retail savings and current deposits and increasing the free float generated by transaction services, such as cash management and stock exchange clearing. Our non-interest bearing current and low-interest bearing savings account deposits were 43.5% of our total deposits as of March 31, 2018. Our average cost of funds (including equity) was 4.6% for Fiscal Year 2017 and 4.3% for Fiscal Year 2018.

Our Principal Business Activities

Our principal business activities consist of retail banking, wholesale banking and treasury operations. The following table sets forth our profits before tax attributable to each segment for the last three Fiscal Years.

Segment	**Year ended March 31,**					
	2016		**2017**		**2018**	
	(in millions, except percentages)					
Treasury	₹ 15,366.4	8.2%	₹ 16,591.1	7.5%	₹ 15,400.0	5.8%
Retail Banking	78,550.3	42.1%	84,321.6	38.1%	99,717.2	37.3%
Wholesale Banking	78,397.7	42.1%	101,230.4	45.7%	117,205.1	43.9%
Other Banking Operations	28,322.7	15.2%	33,653.3	15.2%	54,879.0	20.6%
Unallocated	(14,257.7)	(7.6%)	(14,405.5)	(6.5%)	(20,228.1)	-7.6%
Profit before tax	**₹ 186,379.4**	**100.0%**	**₹ 221,390.9**	**100.0%**	**266,973.2**	**100.0%**

Retail Banking

Overview

We consider ourselves a one-stop shop for the financial needs our customers. We provide a comprehensive range of financial products including deposit products, loans, credit cards, debit cards, third-party mutual funds and insurance products, investment advice, bill payment services and other services. Our retail banking loan products include loans to small and medium enterprises for commercial vehicles, construction equipment and other business purposes. We group these loans as part of our retail banking business considering, among other things, the customer profile, the nature of the product, the differing risks and returns, our organization structure and our internal business reporting mechanism. Such grouping ensures optimum utilization and deployment of specialised resources in our retail banking business. We also have specific products designed for lower income individuals through our Sustainable Livelihood Initiative ("**SLI**"). Through this initiative, we reach out to the un-banked and under-banked segments of the Indian population in rural areas. We actively market our services through our branches and alternate sales channels, as well as through our relationships with automobile dealers and corporate clients. We follow a multi-channel strategy to reach out to our customers bringing to them choice, convenience and what we believe to be a superior experience. Innovation has been the springboard of growth in this segment and so has a strong focus on analytics and Customer Relationship Management ("**CRM**") which we believe has helped us to understand our customers better and offer tailor-made solutions. We further believe that this leads to better customer engagement.

As of March 31, 2018, we had 4,787 branches and 12,635 ATMs in 2,691 cities and towns. We also provide telephone, internet and mobile banking to our customers. We plan to continue to expand our branch and ATM network as well as our other distribution channels, subject to regulatory guidelines/approvals.

Retail Loans and Other Asset Products

We offer a wide range of retail loans, including loans for the purchase of automobiles, personal loans, retail business banking loans, loans for the purchase of commercial vehicles and construction equipment finance, two-wheeler loans, credit cards and loans against securities. Our gross retail loans increased from ₹ 1,930.4 billion as of March 31, 2015 to ₹ 3,761.7 billion as of March 31, 2018. Apart from our branches, we use our ATMs and the internet to promote our loan products and we employ additional sales methods depending on the type of products. We perform our own credit analysis of the borrowers and the value of the collateral if the loan is secured. See "*—Risk Management—Credit Risk—Retail Credit Risk*". We also buy mortgage and other asset-backed securities and invest in retail loan portfolios through assignments. In addition to taking collateral, in most cases, we obtain debit instructions / post-dated checks covering repayments at the time a retail loan is made. It is a criminal offense in India to issue a bad check. Our unsecured personal loans, which are not supported by any collateral, are a greater credit risk for us than our secured loan portfolio. We may be unable to collect in part or at all on an unsecured personal loan in the event of non-payment by the borrower. Accordingly, personal loans are granted at a higher contracted interest rate since they carry a higher credit risk as compared to secured loans. Also see "*Risk Factors—Our unsecured loan portfolio is not supported by any collateral that could help ensure repayment of the loan, and in the event of non-payment by a borrower of one of these loans, we may be unable to collect the unpaid balance*".

Auto Loans

We offer loans at fixed interest rates for financing new and used automobile purchases. In addition to our general marketing efforts for retail loans, we market this product through our relationships with car dealers, direct sales agents, corporate packages and joint promotion programs with automobile manufacturers. We believe that we are a leader in the auto loans segment.

Personal Loans and Credit Cards

We offer unsecured personal loans at fixed rates to specific customer segments, including salaried individuals and self-employed professionals. In addition, we offer unsecured personal loans to small businesses and individual businessmen.

We also offer credit cards from the VISA, MasterCard and Diners platforms, including gold, silver, corporate, business, platinum, titanium, signature, world, black, infinite, credit cards under the classification of corporate cards, business cards, co-brand cards, premium retail cards and super premium retail cards. During Fiscal Year 2017, the Bank launched three product variants—Regalia First Credit Card, Freedom Credit Card and the Bharat Cashback Credit Card. The launch of Regalia First is to enable the bank to cater to the needs of the rapidly growing super premium customer segment, the Freedom Credit Card caters to the youth segment of the country with an offering that meets their needs and the Bharat Cashback Credit Card caters to customers who had not previously had credit cards. We had approximately 8.5 million and 10.7 million cards outstanding as of March 31, 2017 and March 31, 2018, respectively. We believe that we are a leader in the credit cards segment.

Retail Business Banking

We address the borrowing needs of the community of small businessmen primarily located near our bank branches by offering facilities such as credit lines, term loans for expansion or addition of facilities and discounting of receivables. We classify these business banking loans as a retail product. Such lending is typically secured with current assets as well as immovable property and fixed assets in some cases. We also offer letters of credit, guarantees and other basic trade finance products, foreign exchange and cash management services to such businesses.

Commercial Vehicles and Construction Equipment Finance

We provide secured financing for commercial vehicles and provide working capital, bank guarantees and trade advances to transport operators. In addition to funding domestic assets, we also finance imported assets for which we open foreign letters of credit and offer treasury services, such as forward exchange covers. We coordinate with manufacturers to jointly promote our financing options to their clients. We have a strong market presence in the commercial vehicle financing business.

Housing Loans

We provide home loans through an arrangement with our principal shareholder HDFC Limited. Under this arrangement, we source loans for HDFC Limited through our branches. HDFC Limited approves and disburses the loans, which are kept on their books, and we receive a sourcing fee for these loans. We have an option, but not an obligation, to purchase up to 70% of the fully disbursed home loans sourced under this arrangement through either the issue of mortgage-backed pass through certificates ("**PTCs**") or a direct assignment of the loans. The balance is retained by HDFC Limited.

Other Retail Loans

Two-Wheeler Loans

We offer loans for financing the purchase of scooters and motorcycles. We market this product in ways similar to our marketing of auto loans.

Loans Against Securities

We offer loans against equity shares, mutual fund units, bonds and other securities that are on our approved list. We limit our loans against equity shares to ₹ 2.0 million per retail customer in line with regulatory guidelines and limit the amount of our total exposure secured by particular securities. We lend only against shares in book-entry (dematerialised) form, which ensures that we obtain perfected and first-priority security interests. The minimum margin for lending against shares is prescribed by the RBI.

Loan Assignments

We purchase loan portfolios, generally in India, from other banks, financial institutions and financial companies, which are similar to asset-backed securities, except that such loans are not represented by PTCs. Some of these loans also qualify toward our directed lending obligations.

Kisan Gold Card (Agri Loans)

Under the Kisan Gold Card, funds are extended to farmers in accordance with the RBI's Kisan Credit Card ("**KCC**") scheme in order to assist the farmers in financing certain farming expenses, such as the production of crops, post-harvest repair and maintenance and the domestic consumption needs of the farmers. The amount of funding available is based on the farmer's cropping pattern, the amount of land under utilization and the scale of financing and asset costs. We offer both cash credit and term loan facilities under this product.

Loans Against Gold Jewelry

We offer loans against gold jewelry to specific customer segments, including women and farmers. Such loans are offered with monthly interest payments and a bullet maturity. These loans also have margin requirements in the event of a decrease in the value of the gold collateral due to fluctuations in market prices of gold. Loans against gold jewelry are also extended to existing auto loan, personal loan or home loan customers in order to cater to their additional funding needs.

We also offer loans which primarily include overdrafts against time deposits, health care equipment financing loans, tractor loans and loans to self-help groups.

Retail Deposit Products

Retail deposits provide us with a low cost, stable funding base and have been a key focus area for us since commencing operations. Retail deposits represented approximately 74.0% of our total deposits as of March 31, 2018. The following table shows the book value of our retail deposits by our various deposit products as at March 31, 2016, March 31, 2017 and March 31, 2018:

	At March 31, 2016		**At March 31, 2017**		**At March 31, 2018**	
	Value (in millions)	**% of total**	**Value (in millions)**	**% of total**	**Value (in millions)**	**% of total**
Savings	₹ 1,441,762.0	33.0%	₹ 1,900,355.8	37.2%	2,193,592.1	37.6%
Current	500,763.2	11.5%	689,594.2	13.5%	747,089.5	12.8%
Time	2,421,301.3	55.5%	2,519,257.5	49.3%	2,897,739.5	49.6%
Total	**₹ 4,363,826.5**	**100.0%**	**₹ 5,109,207.5**	**100.0%**	5,838,421.1	**100.0%**

Our individual retail account holders have access to the benefits of a wide range of direct banking services, including debit and ATM cards, access to internet and phone banking services, access to our growing branch and ATM network, access to our other distribution channels and eligibility for utility bill payments and other services. Our retail deposit products include the following:

- Savings accounts, which are demand deposits, primarily for individuals and trusts.
- Current accounts, which are non-interest bearing checking accounts designed primarily for business customers. Customers have a choice of regular and premium product offerings with different minimum average quarterly account balance requirements.
- Time deposits, which pay a fixed return over a predetermined time period.

We also offer special value-added accounts, which offer our customers added value and convenience. These include a time deposit account that allows for automatic transfers from a time deposit account to a savings account, as well as a time deposit account with an automatic overdraft facility.

We had mobilised US$ 3.4 billion in special Foreign Currency Non-Resident ("**FCNR**") deposits from non-resident Indians ("**NRI**") clients under the RBI swap window in Fiscal Year 2014. A major portion of these deposits were issued for a 3-year tenor and by Fiscal Year 2018, US$ 3.03 billion of the FCNR deposits were redeemed.

Other Retail Services and Products

Debit Cards

We had approximately 23.6 million and 24.3 million debit cards outstanding as of March 31,2017 and March 31, 2018, respectively. The cards can be used at ATMs and point-of-sales terminals in India and in other countries across the world.

Individual Depositary Accounts

We provide depositary accounts to individual retail customers for holding debt and equity instruments. Securities traded on the Indian exchanges are generally not held through a broker's account or in a street name. Instead, an individual has his or her own account with a depositary participant. Depositary participants, including us, provide services through the major depositaries established by the two major stock exchanges. Depositary participants record ownership details and effectuate transfers in book-entry form on behalf of the buyers and sellers of securities. We provide a complete package of services, including account opening, registration of transfers and other transactions and information reporting.

Mutual Fund Sales

We offer our retail customers units in most of the large and reputable mutual funds in India. In some cases, we earn front-end commissions for new sales and additional fees in subsequent years. We distribute mutual fund products primarily through our branches and our private banking advisors.

Insurance

We have arrangements with HDFC Standard Life Insurance Company Limited and HDFC ERGO General Insurance Company Limited to distribute their life insurance and general insurance products, respectively, to our customers, and have recently entered into similar distribution arrangements with other insurance companies. We earn commissions on new premiums collected as well as some trailing income in subsequent years in certain cases while the policy is still in force. Our commission income for Fiscal Year 2018 included fees of ₹ 11,923.4 million in respect of life insurance business, of which ₹ 4,067.7 million was for displaying publicity materials at the Bank's branches/ATMs, and ₹ 2,034.3 million of fees in respect of general insurance business.

Investment Advice

We offer our customers a broad range of investment advice, including advice regarding the purchase of Indian debt, equity shares and mutual funds. We provide our high net worth private banking customers with a personal investment advisor who can consult with them on their individual investment needs. We have also created a virtual relationship manager for our high net worth customers, which is available at any time through a secure video interface.

Bill Payment Services

We offer our customers utility bill payment services for leading utility companies, including electricity, telephone and internet service providers. Customers can also review and access their bill details through our direct banking channels. We believe this is a valuable convenience that we offer our customers. We offer these services to customers through multiple distribution channels—ATMs, telephone banking, internet banking and mobile telephone banking.

Corporate Salary Accounts

We offer Corporate Salary Accounts, which allow employers to make salary payments to a group of employees with a single transfer. We then transfer the funds into the employees' individual accounts and offer them preferred services, such as lower minimum balance requirements. As of March 31, 2018, these accounts constituted 29% of our savings deposits by value.

Non-Resident Indian Services

Non-resident Indians are an important target market segment for us given their relative affluence and strong ties with family members in India. Our non-resident deposits amounted to ₹ 728.6 billion as of March 31, 2017 and ₹ 817.9 billion as of March 31, 2018.

Retail Foreign Exchange

We purchase foreign currency from and sell foreign currency to retail customers in the form of cash, traveler's checks, demand drafts, foreign exchange cards and other remittances. We also carry out foreign currency check collections.

Customers and Marketing

We identify and target distinct market customer segments for our retail services. We market our products through our branches, online through our website, through telemarketing and through our dedicated sales team for niche market segments. We also use third-party agents and direct sales associates to market certain products and to identify prospective customers.

Additionally, we obtain new customers through joint marketing efforts with our wholesale banking department, such as our Corporate Salary Account package and we cross-sell several retail products to our customers. We also market our auto loan and two-wheeler loan products through joint efforts with relevant manufacturers and distributors.

We have programs that target other particular segments of the retail market. For example, our private and preferred banking programs provide customised financial planning to high net worth individuals. Private banking customers receive a personal investment advisor who serves as their single-point contact and compiles personalised portfolio tracking products, including mutual fund and equity tracking statements. Our private banking program also offers equity investment advisory products. While not as service-intensive as our private banking program, preferred banking offers similar services to a slightly broader target segment. Top revenue-generating customers of our preferred banking program are channeled into our private banking program. As of March 31, 2018, 33% of our retail deposit customers contributed 80% of our retail deposits.

We also have a strong commitment to financial inclusion programs to extend banking services to underserved populations. Our Sustainable Livelihood Initiative targets lower income individuals to finance their economic activity, and also provide skill training, credit counseling, and market linkages for better price discovery. Through this initiative we reach out to the un-banked and under-banked segments of the Indian population.

Wholesale Banking

Overview

We provide our corporate and institutional clients a wide array of commercial banking products and transactional services.

Our principal commercial banking products include a range of financing products, documentary credits (primarily letters of credit) and bank guarantees, foreign exchange and derivative products, investment banking services and corporate deposit products. Our financing products include loans, overdrafts, bill discounting and credit substitutes, such as commercial papers, debentures, preference shares and other funded products. Our foreign exchange and derivatives products assist corporations in managing their currency and interest rate exposures.

For our commercial banking products, our customers include companies that are part of private sector business houses, public sector enterprises and multinational corporations, as well as small and mid-sized businesses. Our customers also include suppliers and distributors of corporations to whom we provide credit facilities and with whom we thereby establish relationships as part of a supply chain initiative for both our commercial banking products and transactional services. We aim to provide our corporate customers with high quality customised service. We have relationship managers who focus on particular clients and who work with teams that specialize in providing specific products and services, such as cash management and treasury advisory services.

Loans to small and medium enterprises, which are generally in the nature of loans for commercial vehicles, construction equipment and business purposes, are included as part of our retail banking business. We group these loans as part of our retail banking business considering, among other things, the customer profile, the nature of the product, the differing risks and returns, our organization structure and our internal business reporting mechanism. Such grouping ensures optimum utilization and deployment of specialised resources in our retail banking business.

Our principal transactional services include cash management services, capital markets transactional services and correspondent banking services. We provide physical and electronic payment and collection mechanisms to a range of corporations, financial institutions and Government entities. Our capital markets transactional services include custodial services for mutual funds and clearing bank services for the major Indian stock exchanges and commodity exchanges. In addition, we provide correspondent banking services, including cash management services and funds transfers, to foreign banks and co-operative banks.

Commercial Banking Products

Commercial Loan Products and Credit Substitutes

Our principal financing products are working capital facilities and term loans. Working capital facilities primarily consist of cash credit facilities and bill discounting. Cash credit facilities are revolving credits provided to our customers that are secured by working capital such as inventory and accounts receivable. Bill discounting consists of short-term loans which are secured by bills of exchange that have been accepted by our customers or drawn on another bank. In many cases, we provide a package of working capital financing that may consist of loans and a cash credit facility as well as documentary credits or bank guarantees. Term loans consist of short-term loans and medium-term loans which are typically loans of up to five years in duration. Over 90% of our loans are denominated in rupees with the balance being denominated in various foreign currencies, principally the U.S. dollar.

We also invest in commercial paper and debentures issued by the same customers with whom we have a lending relationship in our wholesale banking business. Investment decisions for credit substitute securities are subject to the same credit approval processes as loans, and we bear the same customer risk as we do for loans extended to these customers. Additionally, the yield and maturity terms are generally directly negotiated by us with the issuer.

Gross commercial loans increased from ₹ 1,748.5 billion as of March 31, 2015, to ₹ 2,880.9 billion as of March 31, 2018.

While we generally lend on a cash-flow basis, we also require collateral from a large number of our borrowers. However, collateral securing each individual loan may not be adequate in relation to the value of the loan. All borrowers must meet our internal credit assessment procedures, regardless of whether the loan is secured. See "*—Risk Management—Credit Risk—Wholesale Credit Risk*".

We price our loans based on a combination of our own cost of funds, market rates, tenor of the loan, our rating of the customer and the overall revenues from the customer. An individual loan is priced on a fixed or floating rate and the pricing is based on a margin that depends on, among other factors, the credit assessment of the borrower. We are required to follow the marginal cost of funds based lending rate system while pricing our loans. Also see "*Supervision and Regulation—Marginal Cost of Funds Based Lending Rate (MCLR)*".

The RBI requires banks to lend to specific sectors of the economy. Also see "*Supervision and Regulation—Directed Lending*".

Bill Collection, Documentary Credits and Bank Guarantees

We provide bill collection, documentary credit facilities and bank guarantees for our corporate customers. Documentary credits and bank guarantees are typically provided on a revolving basis.

Bill collection: We provide bill collection services for our corporate clients in which we collect bills on behalf of a corporate client from the bank of our client's customer. We do not advance funds to our client until receipt of payment.

Documentary credits: We issue documentary credit facilities on behalf of our customers for trade financing, sourcing of raw materials and capital equipment purchases.

Bank guarantees: We provide bank guarantees on behalf of our customers to guarantee their payment or performance obligations. A small part of our guarantee portfolio consists of margin guarantees to brokers issued in favor of stock exchanges.

Foreign Exchange and Derivatives

Our foreign exchange and derivative product offering to our customers covers a range of products, including foreign exchange and interest rate transactions and hedging solutions, such as spot and forward foreign exchange contracts, forward rate agreements, currency swaps, currency options and interest rate derivatives. These transactions enable our customers to transfer, modify or reduce their foreign exchange and interest rate risks. A specified group of relationship managers from our treasury front office works on such product offerings jointly with the relationship managers from Wholesale Banking.

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 in one currency against another currency and exchange of principal amounts at maturity based on predetermined rates. Rupee interest rate swaps are commitments to exchange fixed and floating rate cash flows in rupees. A forward rate agreement gives the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the "**settlement date**") when the settlement amount is determined being the difference between the contracted rate and the market rate on the settlement date. Currency options give the buyer the right, but not an obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

We enter into forward exchange contracts, currency options, forward rate agreements, currency swaps and rupee interest rate swaps with our customers, similar to our transactions with inter-bank participants. To support our clients' activities, we are an active participant in the Indian inter-bank foreign exchange market. We also trade, to a more limited extent, for our own account. We also engage in proprietary trades of interest rate swaps and use them as part of our asset liability management.

The following table presents the aggregate notional principal amounts of our outstanding foreign exchange and derivative contracts with our customers as of March 31, 2016, 2017 and 2018, together with the fair values on each reporting date.

	As of March 31,					
	2016		**2017**		**2018**	
	Notional	**Fair Value**	**Notional**	**Fair Value**	**Notional**	**Fair Value**
	(₹ , in millions)					
Interest rate derivatives and forward rate agreements	₹ 528,589.7	₹ (2,101.7)	₹ 704,131.9	₹ 34.4	₹ 1,106,546.0	₹ 1,854.1
Forward exchange contracts, currency swaps, currency options	₹ 809,002.2	₹ 4,846.0	₹ 738,919.5	₹ 1,150.6	₹ 864,449.8	₹ (5,122.7)

Investment Banking

Our Investment Banking Group offers services in the debt and equity capital markets. The group has arranged project financing for clients across various sectors including telecom, toll roads, healthcare, energy, real estate and cement. The group advised on aggregate issuances of over ₹ 770.6 billion worth of rupee denominated corporate bonds across public sector undertakings, financial institutions and the Bank's corporate clients during Fiscal Year 2018, becoming the second largest corporate bond arranger in the market for Fiscal Year 2018. In the equity capital markets business, the group concluded initial public offerings of a small finance bank, an insurance company and a road infrastructure company; a rights issue of a steel company and a QIP of a cement company during Fiscal Year 2018. In the advisory business, we advise clients in the infrastructure, financial services, industrials and healthcare sectors.

Wholesale Deposit Products

As of March 31, 2018, we had wholesale deposits aggregating over ₹ 2,049.3 billion, which represented 26.0% of our total deposits. We offer both non-interest bearing current accounts and time deposits. We are allowed to vary the interest rates on our wholesale deposits based on the size of the deposit (for deposits greater than ₹ 10.0 million), provided the rates booked on a day are the same for all customers of that deposit size for that maturity. See "*Selected Statistical Information*" for further information about our total deposits.

Transactional Services

Cash Management Services

We believe that the Indian market is one of the most promising Cash Management Services ("**CMS**") markets. However, it is also marked by some distinctive characteristics and challenges such as a vast geography, a large number of small business-intensive towns, a large unorganised sector in various business supply chains, and infrastructural limitations for accessibility to many parts of the country. Over the years, such challenges have made it a daunting task for CMS providers in the country to uncover the business potential and extend suitable services and product solutions to the business community.

We have been providing CMS to our customers from diverse industry segments. We believe that we have been consistently aligning our product and services strategy to meet our customers' needs. This, we believe, has helped us to keep ahead of competitors and retain a satisfied customer base that is growing by the year.

We offer traditional and new age electronic banking products and experience an increasing demand for electronic banking services. While we believe that we have been one of the leading banks in the traditional CMS market, we believe that we have also been able to forge a similar position in the new age CMS market, *i.e*. electronic cash management, and we also believe that we have aligned our product offering with changing and dynamic customer needs. As of the date hereof, over 70% of our transactions are done on the electronic platform.

Today we believe that we are a leading service provider of electronic banking products with a large share of business across customer segments. We have, thus, been able to reduce our transaction costs while maintaining our fees and float levels.

We have also implemented a straight-through processing solution to link our wholesale banking and retail banking systems. This has led to reduced manual intervention in transferring funds between the corporate accounts which are in the wholesale banking system and beneficiary accounts residing in retail banking systems. This initiative helps reduce transaction costs. We have a large number of commercial clients using our corporate internet banking for financial transactions with their vendors, dealers and employees who bank with us.

Clearing Bank Services for Stock and Commodity Exchanges

We serve as a cash-clearing bank for major stock and commodity exchanges in India, including the National Stock Exchange of India Limited and the BSE Limited. As a clearing bank, we provide the exchanges or their clearing corporations with a means for collecting cash payments due to them from their members or custodians and a means of making payments to these institutions. We make payments once the broker or custodian deposits the funds with us. In addition to benefiting from the cash float, which reduces our overall cost of funds, we also earn commissions on such services in certain cases.

Custodial Services

We provide custodial services principally to Indian mutual funds, as well as to domestic and international financial institutions. These services include safekeeping of securities and collection of dividend and interest payments on securities. Most of the securities under our custody are in book-entry (dematerialised) form, although we provide custody for securities in physical form as well for our wholesale banking clients. We earn revenue from these services based on the value of assets under safekeeping and the value of transactions handled.

Correspondent Banking Services

We act as a correspondent bank for co-operative banks, foreign banks and select private banks. We provide cash management services, funds transfer services, such as letters of credit, foreign exchange transactions and foreign check collection. We earn revenue on a fee-for-service basis and benefit from the cash float, which reduces our overall cost of funds.

We are well-positioned to offer this service to co-operative banks, foreign banks and select private banks in light of the structure of the Indian banking industry and our position within it. Co-operative banks are generally restricted to a particular state and foreign banks / some private banks have limited branch networks. The customers of these banks frequently need services in other areas of the country where their own banks cannot provide. Because of our technology platforms, our geographical reach and the electronic connectivity of our branch network, we can provide these banks with the ability to provide such services to their customers.

Tax Collections

We have been appointed by the Government of India to collect direct taxes. In Fiscal Year ended March 31, 2017 and March 31, 2018, we collected ₹ 2,158 billion and ₹ 2,613 billion, respectively, of direct taxes for the Government of India. We are also appointed to collect goods and services tax ("**GST**") and excise duties in India. In the Fiscal Years ended March 31, 2017 and March 31, 2018, we collected ₹ 1,522 billion and ₹ 1,874 billion, respectively, of such indirect taxes for the Government of India and relevant state Governments. We earn a fee from the Government of India for each tax collection and benefit from the cash float. We hope to expand our range of transactional services by providing more services to Government entities.

Treasury

Overview

Our treasury group manages our balance sheet, including our maintenance of reserve requirements and the management of market and liquidity risk. Our treasury group also provides advice and execution services to our corporate and institutional customers with respect to their foreign exchange and derivatives transactions. In addition, our treasury group seeks to optimize profits from our proprietary trading, which is principally concentrated on Indian Government securities.

Our client-based activities consist primarily of advising corporate and institutional customers and transacting spot and forward foreign exchange contracts and derivatives. Our primary customers are multinational corporations, large and medium sized domestic corporations, financial institutions, banks and public sector undertakings. We also advise and enter into foreign exchange contracts with some small companies and NRIs.

The following describes our activities in the foreign exchange and derivatives markets, domestic money markets and debt securities desk and equities market. See also "—*Risk Management*" for a discussion of our management of market risk.

Foreign Exchange and Derivatives

We enter into forward exchange contracts, currency options, forward rate agreements, currency swaps and rupee interest rate swaps with inter-bank participants. To support our clients' activities, we are an active participant in the Indian inter-bank foreign exchange market. We also trade, to a more limited extent, for our own account. We also engage in proprietary trades of rupee-based interest rate swaps and use them as part of our asset liability management. 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 in one currency against another currency and exchange of principal amounts at maturity based on predetermined rates. Rupee interest rate swaps are commitments to exchange fixed and floating rate cash flows in rupees. A forward rate agreement gives the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the "**settlement date**") when the settlement amount is determined being the difference between the contracted rate and the market rate on the settlement date. Currency options give the buyer the right, but not an obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

The following table presents the aggregate notional principal amounts of our outstanding foreign exchange and derivative inter-bank contracts as of March 31, 2016, 2017 and 2018 together with the fair values on each reporting date:

	As of March 31,					
	2016		2017		2018	
	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value
Interest rate derivatives and forward rate agreements	₹ 1,678,786.7	₹ 1,562.8	₹ 1,687,375.9	₹ 579.7	₹ 1,980,227.2	₹ (720.4)
Forward exchange contracts, currency swaps, currency options	₹ 4,844,850.6	₹ 6,146.1	₹ 4,291,942.7	₹ (339.6)	₹ 3,876,140.5	₹ 3,958.5

Domestic Money Market and Debt Securities Desk

Our principal activity in the domestic money market and debt securities market is to ensure that we comply with our reserve requirements. These consist of a cash reserve ratio, which we meet by maintaining balances with the RBI, and a statutory liquidity ratio, which we meet by purchasing Indian Government securities. See also "*Supervision and Regulation—Legal Reserve Requirements*". Our local currency desk primarily trades Indian Government securities for our own account. We also participate in the inter-bank call deposit market and engage in limited trading of other debt instruments.

Equities Market

We trade a limited amount of equities of Indian companies for our own account. As of March 31, 2018, we had an internal aggregate approved limit of ₹ 300 million for market purchases and ₹ 100 million (defined as a sub-limit of the aggregate approved limit) for primary purchases of equity investments for proprietary trading and ₹ 100 million (defined as a sub-limit of the aggregate approved limit) for investment in index funds or equity mutual funds for proprietary trading. Our exposure as of March 31, 2018 was within these limits. We set limits on the amount invested in any individual company as well as stop-loss limits.

Distribution Channels

We deliver our products and services through a variety of distribution channels, including branches, ATMs, telephone, mobile telephone and internet banking.

Branches

As of March 31, 2018, we had a total of 4,787 branches covering 2,691 cities and towns; when we refer to our "branches" in this Preliminary Placement Document, we also include in such total 33 banking outlets which were manned by our business correspondents. All of our branches are electronically linked so that our customers can access their accounts from any branch regardless of where they have their accounts.

Almost all of our branches focus exclusively on providing retail services and products, though a few also provide wholesale banking services. The range of products and services available at each branch depends in part on the size and location of the branch. We offer various banking services to our customers through our arrangements with correspondent banks and exchange houses in overseas locations.

As part of its branch licensing conditions, the RBI requires that at least 25% of all incremental branches added during the year be located in unbanked rural areas that do not have a brick and mortar structure of any scheduled commercial bank for customer-based banking transactions. As per the guidelines of the RBI, a rural area is defined as a center with a population up to 9,999. As of March 31, 2018, 516 of our branches are in unbanked areas. With the objective of liberalizing and rationalizing the branch licensing process, the RBI granted general permission, effective from October 2013, to banks like us to open branches in Tier 1 to Tier 6 centers, subject to a requirement to report to the RBI and other prescribed conditions. In May 2017, the RBI further liberalised the branch authorization policy. See "*Supervision and Regulation—Regulations Relating to the Opening of Branches*".

We have representative offices in the United Arab Emirates and Kenya and have a wholesale banking branch in Bahrain. We also have a full service banking branch in Hong Kong. In August 2014, we opened a branch in the Dubai International Financial Center ("**DIFC**") in Dubai to offer advisory services to NRIs regarding treasury products, trade finance, loans and other related services. Through these branches, we provide services to NRIs, Indian corporates and their affiliates to cater to their international banking requirements. The Bank also opened an International Financial Service Centre Banking Unit ("**IBU**") at the Gujarat International Finance Tec-City ("**GIFT**") in June 2017. The unit is regulated by the RBI.

Automated Teller Machines

As of March 31, 2018, we had a total of 12,635 ATMs, of which 5,867 were located at our branches or extension counters and 6,768 were located off site, including at large residential developments, or on major roads in metropolitan areas.

Customers can use our ATMs for a variety of functions, including withdrawing cash, monitoring bank balances, and paying utility bills. Customers can access their accounts from any of the HDFC Bank ATMs or non-HDFC Bank ATMs. ATM cards issued by American Express / other banks in the Rupay, Visa, MasterCard, Maestro, Cirrus, Citrus, Discover Financial Services ("**DFS**") networks can be used in our ATMs and we receive a fee for each transaction. Our debit cards can be used on ATMs of other banks while our ATM cards can be used on most of the ATM networks.

Telephone Banking

We provide telephone banking services to our customers in 2,691 cities and towns as at March 31, 2018. Customers can access their accounts over the phone through our 24-hour automated voice response system and can order check books, conduct balance inquiries and order stop payments of checks. In select cities, customers can also engage in financial transactions (such as opening deposits and ordering demand drafts). In certain cities, we also has staff available during select hours to assist customers who want to speak directly to one of our telephone bankers.

Mobile Banking

Our mobile banking platform offers "anytime, anywhere" banking services to our customers through handheld devices, such as smartphones and even basic feature phones. Using our mobile banking platform, customers can perform enquiry based non-financial transactions such as balance enquiries, requests for account statements and requests for mini-statements of their transactions. We offer our customers the ability to carry out variety of financial transactions from their mobile phones. Customers can carry out financial transactions, such as transferring funds within and outside the Bank, and mobile commerce using their HDFC Bank account by downloading this application on their mobile phones. Mobile banking is available across several mobile operating systems, including Android, iOS, Windows and Blackberry.

Internet Banking

Our "net banking" seeks to be a "virtual manifestation" of a physical branch. Through our internet banking channel, customers can perform various transactions, such as access account information, track transactions, request check books, request stop check payments, transfer funds between accounts and to third parties who maintain accounts with us or other banks, open fixed deposits, give instructions for the purchase and sale of units in mutual funds, pay bills and make demand draft requests. Customers can apply for cards and pre-approved loans online and even view details of existing ones. We encourage customer use of our internet banking service by offering some key services for free or at a lower cost.

Risk Management

Risk is inherent in our business and sound risk management is critical to our success. The major types of risk we face are credit risk, market risk, liquidity risk, interest rate risk and operational risk. We have developed and implemented comprehensive policies and procedures to identify, assess, monitor and manage our risk.

Credit Risk

Credit risk is the possibility of loss due to the failure of any counterparty to abide by the terms and conditions of any financial contract with us. We identify and manage this risk through (a) our target defined markets, (b) our credit approval process, (c) our post-disbursement monitoring and (d) our remedial management procedures. We have a comprehensive centralised risk management function, independent of our operations and business units.

The asset quality of the Indian banking industry continued to be under severe pressure during Fiscal Year 2017 and majority of Fiscal Year 2018 due to macroeconomic factors as well as sector specific issues. The banking industry on an overall basis saw a sharp increase in stress and non-performing assets. We did not witness any significant deterioration in overall asset quality.

Retail Credit Risk

We offer a range of retail products, such as auto loans, personal loans, credit cards, business banking, two-wheeler loans, loans against securities and commercial vehicle loans. Our retail credit policy and approval process are designed to accommodate the high volumes of relatively homogeneous, small value transactions in retail loans. There are product programs for each of these products, which define the target markets, credit philosophy and process, detailed underwriting criteria for evaluating individual credits, exception reporting systems and individual loan exposure caps.

For individual customers to be eligible for a loan, minimum credit parameters, so defined, are to be met for each product. Any deviations need to be approved at the designated levels. The product parameters have been selected based on the perceived risk characteristics specific to the product. The quantitative parameters considered include income, residence stability, the nature of the employment/business, while the qualitative parameters include accessibility and profile. Our credit policies and product programs are based on a statistical analysis of our own experience and industry data, in combination with the judgement of our senior officers.

The retail credit risk team manages credit risk in retail assets and has the following constituents:

(a) Central Risk Unit: The central risk unit drives credit risk management centrally for retail assets. It is responsible for formulating policies and evaluates proposals for launch of new products and new geographies. The central risk unit also conducts periodic reviews that cover portfolio management information system ("**MIS**"), credit MIS and post-approval reviews. The product risk teams conduct detailed studies on portfolio performance in each customer segment.

(b) Retail Underwriting: This unit is primarily responsible for approving individual credit exposures and ensuring portfolio composition and quality. The unit ensures implementation of all policies and procedures, as applicable.

(c) Risk Intelligence and Control: This unit is responsible for the sampling of documents to ensure prospective borrowers with fraudulent intent are prevented from availing themselves of loans. The unit initiates market reference checks to avoid a recurrence of fraud and financial losses.

(d) Retail Collections Unit: This unit is responsible for the remedial management of problem exposures in retail assets. The collections unit uses specific strategies for various segments and products for remedial management.

We mine data on our borrower account behavior as well as static data regularly to monitor the portfolio performance of each product segment regularly, and use these as inputs in revising our product programs, target market definitions and credit assessment criteria to meet our twin objectives of combining volume growth and maintenance of asset quality.

Our vehicle loans, personal loans, loan against gold and loan against securities are generally secured on the asset financed. Retail business banking loans are secured with current assets as well as immovable property and fixed assets in some cases. However, collateral securing each individual loan may not be adequate in relation to the value of the loan. If the customer fails to pay, we would, as applicable, liquidate collateral and/or set off accounts. In most cases, we obtain direct debit instructions or post-dated checks from the customer. It is a criminal offense in India to issue a bad check.

Wholesale Credit Risk

The wholesale credit risk team, within the Risk Management Group, is primarily responsible for implementing the credit risk strategy approved by the Board, developing procedures and systems for managing credit risk, carrying out an independent assessment of credit risk, approving individual credit exposures and ensuring portfolio composition and quality. In addition to the credit approval process, there is also an independent framework for the review and approval of credit ratings.

For our wholesale banking products, we target leading private businesses and public sector enterprises in the country, subsidiaries of multinational corporations and leaders in the Small and Medium Enterprises ("**SME**") segment. We also have product-specific offerings for entities engaged in the capital markets and commodities businesses.

We consider the credit risk of our counterparties comprehensively. Accordingly, our credit policies and procedures apply not only to credit exposures but also to credit substitutes and contingent exposures. Our Credit Policies & Procedure Manual and Credit Program ("**Credit Policies**") are central in controlling credit risk in various activities and products. These articulate our credit risk strategy and thereby the approach for credit origination, approval and maintenance. The Credit Policies generally address such areas as target markets, portfolio mix, prudential exposure ceilings, concentration limits, price and non-price terms, structure of limits, approval authorities, exception reporting system, prudential accounting and provisioning norms. Each credit is evaluated by the business units against the credit standards prescribed in our Credit Policies. They are then subjected to a greater degree of risk analysis based on product type and customer profile by credit risk specialists in the Risk Management Group.

We have in place a process of risk-grading each borrower according to its financial health and the performance of its business and each borrower is graded on an alphanumeric rating scale of HDB 1 to HDB 10 (HDB 1 indicating the highest and HDB 10 the lowest rating; we further classify HDB 1 to HDB 7 as "investment grade" ratings, while HDB 8 or lower are classified as "non-investment grade" ratings). We have specific models applicable to each significant segment of wholesale credit (e.g. large corporate, SME-manufacturing, SME-Services and NBFCs). Each model assesses the overall risk over four major categories: industry risk, business risk, management risk and financial risk. The aggregate weighted score based on the assessment under each of these four risk categories corresponds to a specific alphanumeric rating.

Based on what we believe is an adequately comprehensive risk assessment, credit exposure limits are set on individual counterparties. These limits take into account the overall potential exposure on the counterparty, be it on balance sheet or off balance sheet, across the banking book and the trading book, including foreign exchange and derivatives exposures. These limits are reviewed in detail at annual or more frequent intervals.

We do not extend credit on the judgment of one officer alone. Our credit approval process is based on a three-tier approval system that combines credit approval authorities and discretionary powers. The required three approvals are provided by credit approvers who derive their authority from their credit skills and experience. The level for approval of a credit varies depending upon the grading of the borrower, the quantum of facilities required and whether we have been dealing with the customer by providing credit facilities in the past. As such, initial approvals would typically require a higher level of approval for a borrower with the same grading and for sanctioning the same facility.

To ensure adequate diversification of risk, concentration limits have been set up in terms of:

a) *Borrower/business group*: Exposure to a borrower/business group is subject to the general ceilings established by the RBI from time to time, or specific approval by the RBI. The exposure-ceiling limit for a single borrower is 15% of a bank's capital funds. This limit may be exceeded by an additional 5% (i.e. up to 20%), provided the additional credit exposure is on account of lending to infrastructure projects. The exposure-ceiling limit in the case of a borrower group is 40% of a bank's capital funds. This limit may be exceeded by an additional 10% (i.e., up to 50%), provided the additional credit exposure is on account of extensions of credit for infrastructure projects. In addition to the above exposure limit, a bank may, in exceptional circumstances and with the approval of its board, consider increasing its exposure to a borrower up to an additional 5% of its capital funds. Exposures (both lending and investment, including off balance sheet exposures) of a bank to a single NBFC, NBFC-Asset Financing Company ("**AFC**"), or NBFC-Infrastructure Finance Company ("**IFC**") should not exceed 10%, 15%

and 15%, respectively, of a bank's capital funds. A bank may, however, assume exposures on a single NBFC, NBFC-AFC, or NBFC-IFC up to 15%, 20% and 20%, respectively, of its capital funds, provided the exposure in excess of 10%, 15% and 15% (referred to above) is on account of funds that the NBFC, NBFC-AFC, or NBFC-IFC has lent out to the infrastructure sector. In December 2016, the RBI issued the Large Exposure Framework, which aims to align the exposure norms for Indian Banks with the Basel Committee on Banking Supervision ("**BCBS**"). The guidelines are required to be fully implemented by March 31, 2019. See "*Supervision and Regulation—Exposure Norms*".

b) *Industry*: Exposure to any one industry cannot exceed 12% of aggregate exposures. For this purpose, advances and investments as well as non-fund based exposures are aggregated. Retail advances are exempt from this exposure limit. Further, exposure to banks and state sponsored financial institutions is capped at a level of 25%.

c) *Risk grading*: In addition to the exposure ceilings described above, we have set quantitative ceilings on aggregate funded plus non-funded exposure (excluding retail assets) specific to each risk rating category at the portfolio level.

While we primarily make our credit decisions on a cash flow basis, we also obtain security for a significant portion of credit facilities extended by us as a second potential remedy. This can take the form of a floating charge on the movable assets of the borrower or a (first or residual) charge on the fixed assets and properties owned by the borrower. We may also require guarantees and letters of support from the flagship companies of the group in cases where facilities are granted based on our comfort level or relationship with the parent company.

We have a process for regular monitoring of all accounts at several levels. These include periodic calls on the customer, plant visits, credit reviews and monitoring of secondary data. These are designed to detect any early warning signals of deterioration in credit quality so that we can take timely corrective action.

The RBI restricts us from lending to companies with which we have any directors in common. In addition, the RBI requires that we direct a portion of our lending to certain specified sectors ("**Priority Sector Lending**"). See also the section "*Supervision and Regulation—Directed Lending*".

Market Risk

Market risk refers to the potential loss on account of adverse changes in market variables or other risk factors which affect the value of financial instruments that we hold. The financial instruments may include investment in money market instruments, debt securities (such as gilts, bonds and PTCs), equities, foreign exchange products and derivative instruments (both linear and non-linear products).

The market variables which affect the valuation of these instruments typically include interest rates, credit spreads, equity prices, commodity prices, exchange rates and implied volatilities. Any change in the relevant market risk variable has an adverse or favorable impact on the valuation depending on the direction of the change and the type of position held (long or short). While the positions are taken with a view to earn from the upside potential, there is always a possibility of downside risk. Thus, we must constantly review the positions to ensure that the risk on account of such positions is within our overall risk appetite. The Bank's overall risk appetite for various risks is defined by the Internal Capital Adequacy Assessment Process ("**ICAAP**") review committee, by stipulating specific risk appetite for each category of risk. The risk appetite for trading risk is set through a pre-approved treasury limits package as well as through specific trading limits for a few product programs. In addition, the Bank's risk limits are guided by the Interbank Counterparty Exposure limit and the Bank's Asset Liability Management ("**ALM**") limits prescribe the appetite for liquidity risk and interest rate risk in the banking book ("**IRRBB**"). The process for monitoring and reviewing risk exposure is outlined in the various risk policies.

The market risk department formulates procedures for portfolio risk valuation, assesses market risk factors along with the trading portfolio and recommends various market risk controls relating to limits and trigger levels for the treasury (including investment banking portfolios for primary undertaking and distribution) and non-treasury positions. The treasury mid-office is responsible for monitoring and reporting market risks arising from the trading desks. The market data cell in the mid-office maintains market data, performs market data scan to check market data sanctity and verifies the rates submitted by the treasury front office for polling various benchmarks.

Our Board of Directors has delegated the responsibility for market risk management of the balance sheet on an ongoing basis to the asset liability committee ("**ALCO**"). This committee, which is chaired by the Managing Director and includes the heads of the business groups, generally meets fortnightly. The committee reviews the product pricing for deposits and assets as well as the maturity profile and mix of our assets and liabilities. It articulates the interest rate view and decides on future business strategy with respect to interest rates. It reviews and sets funding policy, also reviews developments in the markets and the economy and their impact on the balance sheet and business along with review of the trading levels. Moreover, it reviews the utilization of liquidity and interest rate risk limits set by the Board of Directors and decides on the inter-segment transfer pricing policy.

The financial control department is responsible for collecting data, preparing regulatory and analytical reports and monitoring whether the interest rate and other policies and limits established by the asset liability committee are being observed. Our treasury group also assists in implementing our asset liability strategy and in providing information to the asset liability committee.

Policies and Procedures—Trading and Asset Liability Management Risks

The following sections briefly describe our policies and procedures with respect to trading risk (price risk) and ALM risk (interest rate risk in the banking book and liquidity risk).

I. Trading Risk

Trading risk is the risk arising from price fluctuations due to market factors, such as changes in interest rates, equity prices, commodity prices, exchange rates and the variations in their implied volatilities in respect of the trading portfolio held by the Bank. The trading portfolio includes holdings in the held-for-trading and available-for-sale-portfolios, as per RBI guidelines and consists of positions in bonds, securities, currencies, interest rate swaps and options, cross-currency interest rate swaps and currency options.

The trading risk is managed by putting in place a sound process for price validation and by setting various limits or trigger levels, such as value at risk limits, stop loss trigger levels, price value per basis point (PV01) limits, option Greek limits, position limits, namely, intraday and net overnight forex open position as well as gap limits (aggregate and individual gap limits). Additional controls such as order size and outstanding exposure limits are prescribed, wherever applicable, based on case by case review. Moreover, measures such as investment limits and deal size thresholds are prescribed as part of the investment policy for managing outstanding investment or trading positions.

The treasury limits are reviewed by the market risk department and presented to the Risk Policy and Monitoring Committee ("**RPMC**") for its recommendation to the Board of Directors for approval. The limits are reviewed annually or more frequently (depending on market conditions) or upon introduction of new products.

The market risk policy sets the framework for market risk monitoring. The risk on account of semi-liquid or illiquid positions in trading is recognised in the non-standard product policy as part of the market risk policy. The non-standard product policy stipulates requirements for case specific evaluation of risk exposure in respect of non-standard products (that is, products which are not part of the standard product list decided by treasury and the market risk department). Additionally, limits have been assigned to restrict the aggregate exposure in non-standard positions. Further, the stress testing policy prescribes the stress scenarios that are applied on the outstanding trading positions to recognize and analyze the impact of the stress conditions on the trading portfolio. Stress tests are based on historical scenarios as well as on sensitivity factors, such as an assessment based on hypothetical/judgmental scenarios.

Validation of valuation models applied for validation of trading products are conducted by the treasury analytics team, which are then reviewed by the market risk department and governed by the Board of Directors approved 'independent valuation model validation policy'. The Valuation Committee is apprised of the model validation results in its quarterly meetings. Moreover, the market data of major interest rate curves, captured in the valuation systems, are compared against an independent market data source on month-end basis for accurate valuation pursuant to the Independent Valuation Model Validation Policy of the Bank.

II. Asset Liability Management

The ALM risk management process consists of management of liquidity risk and IRRBB. Liquidity risk is the risk that the Bank may not be able to fund increases in assets or meet obligations as they fall due without incurring unacceptable losses. IRRBB refers to the potential adverse financial impact on the Bank's banking book from changes in interest rates. The banking book is comprised of assets and liabilities that are incurred to create a steady income flow or to fulfill statutory obligations. Such assets and liabilities are generally held to maturity. The Bank carries various assets, liabilities and off-balance sheet items across markets, maturities and benchmarks, exposing it to risks from changing interest rates. The Bank's objective is to maintain liquidity risk and IRRBB within certain tolerance limits. The ALM limits are reviewed by the market risk department and presented to the RPMC for its recommendation to the Board of Directors for approval. The limits are reviewed at least annually.

Structure and Organization

The ALM risk management process of the Bank operates in the following hierarchical manner:

Board of Directors

The Board has the overall responsibility for management of liquidity and interest rate risk. The Board decides the strategy, policies and procedures of the Bank to manage liquidity and interest rate risk, including setting the Bank's risk tolerance and limits.

Risk Policy & Monitoring Committee of the Board

The RPMC is a Board-level committee, which supports the Board by supervising the implementation of risk strategy. It guides the development of policies, procedures and systems for managing risk. It ensures that these are adequate and appropriate to changing business conditions, the structure and needs of the Bank and the risk appetite of the Bank. It ensures that frameworks are established for assessing and managing liquidity and interest rate risks faced by the Bank. The RPMC meets at least once every quarter. The RPMC's role includes inter-alia:

1. to review and recommend for Board approval, the liquidity and interest rate risk policies or any other amendment thereto;

2. to ratify excess utilization of Board approved limits; and

3. to review the results of stress tests.

*Asset Liability Committee ("**ALCO**")*

The ALCO is the decision-making unit responsible for ensuring adherence to the risk tolerance and limits set by the Board, as well as implementing the Bank's liquidity and interest rate risk management strategy in line with the Bank's risk management objectives and risk tolerance. The ALCO is also responsible for balance sheet planning from a risk-return perspective, including strategic management of interest rate and liquidity risks. The role of the ALCO includes the following:

- product pricing for deposits and customer advances;
- deciding the desired maturity profile and mix of incremental assets and liabilities;
- articulating the Bank's interest rate view and deciding on its future business strategy;
- reviewing and articulating funding strategy;
- ensuring adherence to the liquidity and interest rate risk limits set by the Board of Directors;
- determining the structure, responsibilities and controls for managing liquidity and interest rate risk;
- ensuring operational independence of risk management function;
- reviewing stress test results; and
- deciding on the transfer pricing policy of the Bank.

ALM Support Group

The ALM support group is responsible for analyzing, monitoring, and reporting the relevant risk profiles to senior management and relevant committees. The ALM support group comprises the balance sheet management desk (Treasury), market risk department, treasury mid-office and Finance and Control ("**FINCON**").

Risk Measurement Systems and Reporting

Liquidity Risk

Liquidity risk is measured using the flow approach and the stock approach. The flow approach involves comprehensive tracking of cash flow mismatches, whereas the stock approach involves the measurement of critical ratios in respect of liquidity risk.

For measuring and managing net funding requirements, the use of a maturity ladder and calculation of cumulative surplus or deficit of funds at selected maturity dates has been adopted as a standard tool. The time buckets for classification of assets and liabilities for the purposes of this statement is as per the RBI's prescribed guidelines.

Stock approach involves measurement of certain critical ratios in respect of liquidity risk. Based on the RBI guidelines, a set of liquidity ratios under stock approach are monitored on a periodic basis.

In addition, the Bank is required to maintain Liquidity Coverage Ratio. The regulatory minimum requirement for the ratio is 80% starting from January 1, 2017 (which was 70% between Jan 2016 to Dec 2016) and will rise in equal steps of 10% each year to reach 100% on January 1, 2019.

Analysis of liquidity risk also involves examining how funding requirements are likely to be affected under crisis scenarios. The Bank has a Board approved liquidity stress framework guided by regulatory instructions. The Bank has an extensive intraday liquidity risk management framework for monitoring intraday positions during the day

Interest Rate Risk in Banking Book

Interest rate risk is the risk where changes in market interest rates affect a bank's financial position. Changes in interest rates impact a bank's earnings through changes in its Net Interest Income ("**NII**"). Changes in interest rates also impact a bank's Market Value of Equity ("**MVE**") or net worth through changes in the economic value of its rate sensitive assets, liabilities and off-balance sheet positions. The interest rate risk, when viewed from these two perspectives, is known as "earnings perspective" and "economic value perspective", respectively.

The Bank measures and controls IRRBB using both the earnings perspective (measured using the traditional gap analysis method) and the economic value perspective (measured using the duration gap analysis method) as detailed below. These methods involve grouping of rate sensitive assets ("**RSA**") and rate sensitive liabilities ("**RSL**"), including off-balance sheet items, based on the maturity or repricing dates.

The Bank classifies an asset or liability as rate sensitive if:

i. within the time interval under consideration, there is a cash flow;

ii. the interest rate resets or reprices contractually during the interval; and

iii. the RBI changes the interest rates in cases where interest rates are administered.

A significant portion of non-maturing deposits are grouped in the "over 1 year to 3 year" category. Non-rate sensitive liabilities and assets primarily comprise capital, reserves and surplus, other liabilities, cash and balances with the RBI, current account balances with banks, fixed assets and other assets.

The banking book is represented by excluding from the total book the trading book (i.e., on and off-balance sheet items) and the commensurate liabilities in the form of short-term borrowings and deposits.

- Earnings Perspective (impact on net interest income)

  The traditional gap analysis ("**TGA**") method measures the level of a bank's exposure to interest rate risk in terms of sensitivity of its NII to interest rate movements over a one-year horizon. It involves bucketing of all RSA, RSL and off-balance sheet items maturing or getting repriced in the next year and computing changes of income under 200 basis points upward and downward parallel rate shocks over a year's horizon.

- Economic Value Perspective (impact on market value of equity)

  While earnings perspective calculates the short-term impact of the rate changes, the Economic Value Perspective calculates the long-term impact on the MVE of the Bank through changes in the economic value of its rate sensitive assets, liabilities and off-balance sheet positions. Economic value perspective is measured using the duration gap analysis method ("**DGA**"). DGA involves computing of the modified duration gap ("**MDG**") between RSA and RSL and thereby the Duration of Equity ("**DoE**"). The DoE is a measure of sensitivity of market value of equity to changes in interest rates. Using the DoE, the Bank estimates the change in MVE under 200 basis points upward and downward parallel rate shocks.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The way operational risk is managed has the potential to positively or negatively impact the Bank's customers, financial performance and reputation. The Bank has put in place Board-approved governance and organizational structure with clearly defined roles and responsibilities to mitigate operational risk arising from the Bank's business and operations.

Organizational Structure for Managing Operational Risk

The RPMC reviews and recommends to the Board of Directors the overall operational risk management framework for the Bank. The Operational Risk Management Committee, which is headed by the Deputy Managing Director and consists of senior management functionaries (including the Chief Risk Officer, Group Head—Audit, Group Head—Operations and senior representatives from all the relevant business verticals), oversees the implementation of the operational risk management framework approved by the Board. An independent operational risk management department is responsible for implementation of the framework across the Bank. The operational risk management policy stipulates the roles and responsibilities of employees, business units, operations and support function in managing operational risk.

Risk Measurement and Monitoring

While the day-to-day operational risk management lies with business lines, operations and support functions, the operational risk management department is responsible for designing tools and techniques for identification and monitoring of operational risk across the Bank consistent with the framework approved by the Board. The unit also ensures operational risk exposures are captured and reported to the relevant levels of the management for initiating suitable risk mitigations in order to contain operational risk exposures within acceptable levels. The internal audit department provides independent assurance of the effectiveness of governance, risk management and internal controls to achieve the Bank's risk management and control objectives.

The Bank applies a number of risk management techniques to effectively manage operational risks. These techniques include:

- A bottom-up risk assessment process, risk control self-assessment, to identify high risk areas so that the Bank can initiate timely remedial measures. This assessment is conducted annually to update senior management of the risk level across the Bank.
- The employment of key risk indicators to alert the Bank of impending problems in a timely manner. The key risk indicators allow monitoring of the control environment as well as operational risk exposures and also trigger risk mitigation actions.
- Subjecting material operational risk losses to a detailed risk analysis in order to identify areas of risk exposure and gaps in controls based on which appropriate risk mitigating actions are initiated.
- Conducting a scenario analysis annually to derive information on hypothetical severe loss situations. The Bank uses this information for risk management purposes, as well as for analyzing the possible financial impact.
- Periodic reporting of risk assessment and monitoring to senior management to ensure timely actions are initiated at all levels.

Capital Requirement

Currently, the Bank follows the basic indicator approach for computing operational risk capital. The Bank has devised an operational risk measurement system compliant with an advanced measurement approach ("**AMA**") for estimating operational risk capital for the standalone bank. The RBI has granted "in-principle" approval to the bank to migrate to AMA for calculating operational risk capital charge in parallel to the basic indicator approach followed currently.

Competition

We face intense competition in all of our principal lines of business. Our primary competitors are large public sector banks, other private sector banks, foreign banks and, in some product areas, NBFCs. In addition, new entrants into the financial services industry, including companies in the financial technology sector, may further intensify competition in the business environments, especially in the digital business environment, in which we operate. In February 2013, the RBI issued guidelines for the entry of new banks in the private sector, including eligibility criteria, capital requirements, shareholding structure, business plan and corporate governance practices. Pursuant to these guidelines, in Fiscal Year 2016 IDFC Bank and Bandhan Bank commenced banking operations.

In November 2014, the RBI released guidelines for the licensing of payments banks and small finance banks in the private sector. Since promulgation, such banks have been established and operational pursuant to these guidelines, which have increased competition in the markets in which we operate.

In August 2016, the RBI released final guidelines for "on-tap" Licensing of Universal Banks in the Private Sector. The guidelines aim at moving from the current "stop and go" licensing approach (wherein the RBI notifies the licensing window during which a private entity may apply for a banking license) to a continuous or "on-tap" licensing regime. Among other things, the new guidelines specify conditions for the eligibility of promoters, corporate structure and foreign shareholdings. One of the key features of the new guidelines is that, unlike the February 2013 guidelines (mentioned above), the new guidelines make the "Non-Operative Financial Holding Company" structure non-mandatory in the case of promoters being individuals or standalone promoting/converting entities which do not have other group entities.

Retail Banking

In retail banking, our principal competitors are large public sector banks, which have much larger deposit bases and branch networks than ours, other new generation private sector banks, old generation private sector banks, foreign banks and NBFCs in the case of retail loan products. The retail deposit share of foreign banks is small in comparison to the public sector banks. However, some foreign banks have a significant presence among NRIs and also compete for non-branch-based products.

In mutual fund sales and other investment related products, our principal competitors are brokers, foreign banks and other new private sector banks.

Wholesale Banking

Our principal competitors in wholesale banking are public and new private sector banks as well as foreign banks. The large public sector banks have traditionally been the market leaders in commercial lending. Foreign banks have focused primarily on serving the needs of multinational companies and Indian corporations with cross-border financing requirements, including trade and transactional services and foreign exchange products and derivatives, while the large public sector banks have extensive branch networks and large local currency funding capabilities.

Treasury

In our treasury advisory services for corporate clients, we compete principally with foreign banks in foreign exchange and derivatives, as well as public sector banks and new generation private sector banks in the foreign exchange and money markets business.

Employees

The number of our employees was 88,253 as of March 31, 2018. Most of our employees are located in India. We consider our relationship with our employees to be positive. Further to our acquisition of CBoP in 2008, several employees of CBoP continue to be part of a labor union. These employees represent less than 1% of our total employee strength.

Our compensation structure has fixed as well as variable pay components. Our variable pay plans are comprised of periodic performance linked pay (PLP), annual performance linked bonus and employee stock option plans.

In addition to basic compensation, employees are eligible to participate in our provident fund and other employee benefit plans. The provident fund, to which both we and our employees contribute, is a savings scheme required by Government regulation under which the fund is required to pay to employees a minimum annual return, which is 8.55% at present. If such return is not generated internally by the fund, we are liable for the difference. Our provident fund has generated sufficient funds internally to meet the annual return requirement since inception of the fund. We have also set up a superannuation fund to which we contribute defined amounts. We also contribute specified amounts to a pension fund in respect of certain of our former-CBoP employees. In addition, we contribute specified amounts to a gratuity fund set up pursuant to Indian statutory requirements.

We focus on training our employees on a continuous basis. We have training centers, where we conduct regular training programs for our employees. Management and executive trainees generally undergo up to eight-week training modules covering most aspects of banking. We offer courses conducted by both internal and external faculty. In addition to ongoing on-the-job training, we provide employees courses in specific areas or specialised operations on an as-needed basis.

Properties

Our registered office and corporate headquarters is located at HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India. In addition to the corporate office, we have administrative offices in most of the metros and some other major cities in India.

As of March 31, 2018, we had a network consisting of 4,787 branches and 12,635 ATMs, including 6,768 at non-branch locations. These facilities are located throughout India with the exception of three branches which are located in Bahrain, Hong Kong and Dubai. We also have representative offices in the United Arab Emirates and Kenya. The Bank set up and commenced business in an IBU in GIFT in June 2017. This branch is treated as an overseas branch.

Intellectual Property

We utilize a number of different forms of intellectual property in our business including our HDFC Bank brand and the names of the various products we provide to our customers. We believe that we currently own, have licensed or otherwise possess the rights to use all intellectual property and other proprietary rights, including all trademarks, domain names, copyrights, patents and trade secrets used in our business.

Legal Proceedings

We are involved in a number of legal proceedings in the ordinary course of our business, including certain spurious or vexatious proceedings with significant financial claims present on the face of the complaint but that we believe lack any merit based on the historical dismissals of similar claims. Accordingly, we believe there are currently no legal proceedings, which if adversely determined, might materially affect our financial condition or the results of our operations. See "*Legal Proceedings*" on page 224.

SUPERVISION AND REGULATION

The following description is a summary of some of the relevant regulations and policies as prescribed by the central, state and regulatory bodies in India that are applicable to the Bank and its Subsidiaries. The following description is not meant to be exhaustive, and is only intended to provide general information to the investors on some of the key regulations and policies applicable to us.

The primary legislation governing banking companies in India is the Banking Regulation Act, 1949 (the "**Banking Regulation Act**"). The provisions of the Banking Regulation Act are, in addition to and not, save as expressly provided under the Banking Regulation Act, in derogation of the Companies Act, 2013, Companies Act, 1956 and any other law currently in force. Other laws governing banking companies include the Reserve Bank of India Act, 1934, the Negotiable Instruments Act, 1881, the SARFAESI Act and the Bankers' Books Evidence Act, 1891. Additionally, the RBI, from time to time, issues guidelines, circulars, directions, and policies relating to our businesses. Our Bank and its Subsidiaries are regulated by various regulators, including but not limited, to SEBI and the RBI.

I. Law, rules and regulations governing the Bank

Some of the key rules and regulations governing the Bank's functioning are enumerated below:

A. RBI Regulations

Commercial banks in India are required to obtain a license from the RBI to carry on banking business in India. Such license is granted to the bank subject to compliance with certain conditions, as specified in Section 22 of the Banking Regulation Act. The RBI may cancel the license if the bank fails to meet the qualifications or if the bank ceases to carry on banking operations in India.

The Banking Regulation Act confers power on the RBI (in consultation with the Central Government) to supersede the board of directors of a banking company for a period not exceeding a total of 12 months, in public interest or for preventing the affairs of the bank from being conducted in a manner detrimental to the interest of the depositors or for securing the proper management of any banking company.

Our Bank has obtained a banking license from the RBI and is regulated and supervised by the RBI. The RBI has issued directions/ guidelines to commercial banks in relation to functioning, covering various aspects such as loans and advances, investments, risk management, recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for non-performing and restructured assets, periodical submission of reports etc. The RBI requires us to furnish statements, information and certain details relating to our business.

When a bank fails to or omits to comply with the provisions of the Banking Regulation Act and directions issued thereunder or willfully makes a statement which is false in any material particularly, knowing it to be false or willfully omits to make a material statement, the RBI may impose fine within prescribed limits on banks and its officers or punish with imprisonment for the term provided in the law, on the basis of the nature of the violation.

The appointment of the statutory auditors of the banks is subject to the approval of the RBI. The RBI can direct a special audit in the interest of the depositors or in the public interest.

B. Regulations Relating to the Opening of Branches

Section 23 of the Banking Regulation Act requires banks to obtain prior permission of the RBI to open new branches. The RBI issues instructions and guidelines to banks on branch authorization from time to time, including guidelines allowing banking companies to open new branches, closure, shifting of branches/ extension counters/ ATMs etc. The RBI notified the Revised Guidelines - Opening of new place of business and transfer of existing places of business ("**Revised Guidelines**") on May 18, 2017, which allowed domestic scheduled commercial banks (other than Regional Rural Banks), unless otherwise specifically restricted by RBI, to open branches in Tier 1 to Tier 6 centres without prior permission from RBI, subject to the conditions laid down by RBI. The RBI has introduced the concept of 'banking outlets' which, among other things, includes satellite offices, part-shifted branches, extension counters, ultra small branches and specialised branches, subject to their satisfying the conditions set out in the Revised Guidelines. A 'banking outlet' is defined as a fixed point service delivery unit, manned by either bank's staff or its business correspondent where services of acceptance of deposits, encashment of cheques / cash withdrawal or lending of money are provided for a minimum of four hours per day for at least five days a week. Banks may also shift, merge or close all branches except rural branches and sole semi-urban branches. Rural branches and sole semi-urban branches can also be closed subject to certain conditions. The board of directors of such banks have been given the overall responsibility to ensure that all the guidelines are complied with.

The RBI has further stipulated that the banks are required to open at least 25 percent of the total number of branches opened during a financial year in unbanked rural (Tier 5 and Tier 6) centres.

Further, RBI has permitted installation of off-site ATMs at centres identified by banks, without specific permission from the RBI. Banks are also required to periodically report details of the branches and banking outlets opened/closed/shifted to RBI.

C. Capital Adequacy Requirements

The RBI has issued guidelines for implementation of the Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework ("**NCAF**"), to ensure that the capital held by a bank is commensurate with the bank's overall risk profile. The NCAF prescribes the minimum Capital to Risk – weighted Assets Ratio ("**CRAR**") to be maintained by banks.

The Basel Committee on Banking Supervision, with a view to improve the banking sectors' ability to absorb shocks arising from financial and economic stress, implemented Basel III framework. The Basel III capital regulations in India are applicable to banks from April 1, 2013 and are required to be fully implemented by March 31, 2019 in a phased manner.

D. Liquidity coverage ratio

The Basel III framework on 'Liquidity Standard' includes 'Liquidity Coverage Ratio', 'Net Stable Funding Ratio' and liquidity risk monitoring tools. With effect from January 1, 2015, the RBI introduced a requirement for commercial banks in India to maintain certain levels of Liquidity Coverage Ratio ("**LCR**"). The LCR measures a bank's ability to manage and survive for 30 days under a significant stress scenario that combines idiosyncratic as well as market-wide shock situations that would result in accelerated withdrawal of deposits from retail as well as wholesale depositors, partial loss of secured funding, increase in collateral requirements and unscheduled drawdown of unused credit lines. At least 60% of the net cash outflows in the next 30 days, computed with these assumptions of a stressed scenario, are required to be supported by High Quality Liquid Assets ("**HQLA**"). Banks are required to maintain HQLA of minimum 90% with effect from January 1, 2018, which will increase to 100% with effect from January 1, 2019.

The Basel Committee on Banking Supervision issued the final rules on 'Net Stable Funding Ratio' in October 2014. RBI has issued draft guidelines on NFSR on May 28, 2015.

E. Domestic Systemically Important Banks

The Reserve Bank had issued the Framework for dealing with Domestic Systemically Important Banks ("**D-SIB**") on July 22, 2014 ("**D-SIB Framework**"). The D-SIB Framework requires the Reserve Bank to disclose the names of banks designated as D-SIBs every year in August starting from 2015 and place these banks in appropriate buckets depending upon their Systemic Importance Scores. Based on the bucket in which a D-SIB is placed, an additional common equity requirement has to be applied to it.

The Reserve Bank of India has identified the Bank as a D-SIB, under the bucketing structure as provided in the D-SIB Framework. The higher capital requirements, for the Bank, in the form of additional Common Equity Tier 1 shall be phased-in from April 1, 2018 and will become fully effective from April 1, 2019.

F. Loan Loss Provisions and Non-Performing Assets

The RBI has issued guidelines on income recognition, asset classification, provisioning standards and the valuation of investments, which are revised from time to time. In terms of the guidelines issued by RBI, banks are required to classify an asset into non-performing when it ceases to generate income for the bank. Once the account has been classified as a non-performing asset, the unrealised interest and other income already debited to the account is derecognised and further interest is not recognised or credited to the income account unless collected in cash. The Prudential Norms require banks to classify NPAs into the following three categories viz. (i) sub-standard assets;(ii) doubtful assets; and (iii) loss assets, based on the period for which the asset has remained non-performing. These norms also specify provisioning requirements specific to the classification of the assets.

The RBI has issued guidelines on April 18, 2017 advising all scheduled commercial banks to make additional provisions in respect of advances to stressed sectors of the economy. The banks are required to put in place a Board–approved policy for making provisions for standard assets at rates higher than the regulatory minimum, based on evaluation of risk and stress in various sectors. This evaluation needs to be on a quarterly basis. The RBI observed that the telecom sector is facing stressed financial conditions as the current interest coverage ratio for the sector is less than one and advised banks to review exposure to the telecom sector.

The RBI has issued guidelines on September 1, 2016 to restrict scheduled commercial banks' investment in Security Receipts ("**SRs**") backed by their own stressed assets. With effect from April 1, 2017, where the investment in a bank in SRs backed by stressed assets sold by it, under an asset securitisation is more than 50% of the SRs backed by its sold assets and issued under that securitisation, provisioning requirement on SRs will be higher of the provisioning rate required in terms of net asset value declared by the securitization companies/reconstruction companies and provisioning rate as applicable to the underlying loans, assuming that the loans notionally continued in the books of the bank. With effect from April 1, 2018, this threshold of 50% will be reduced to 10%.

G. Revised Framework on Resolution of Stressed Assets

The RBI has, by its circular dated February 12, 2018 established a new regulatory framework for resolution of stressed assets ("**Revised Framework**"). Pursuant to the Revised Framework, existing guidelines and schemes for debt resolution such as Corporate Debt Restructuring, Flexible Structuring of Existing Long Term Project Loans, Strategic Debt Restructuring, Change in Ownership Outside the Strategic Debt Restructuring and the Scheme for Sustainable Restructuring of Stressed Asset have been withdrawn (hereinafter collectively referred to as the "**Old Schemes**" and the circular/guidelines under which such Old Schemes were issued are referred to as the "**Old Circulars**"). In addition, the guidelines/framework for Joint Lenders' Forum has also been discontinued.

Early Identification and Reporting

The Revised Framework requires lenders to identify incipient stress in loan dues, immediately on default and classify such loans under prescribed categories. Lenders are required to report all borrower entities in default (with aggregate exposure of ₹ 50 million and above on a weekly basis, beginning February 23, 2018).

The Revised Framework also provide for an indicative list of signs of financial difficulty including: (a) irregularities in cash credit/overdraft accounts such as inability to maintain stipulated margin basis or drawings exceeding sanctioned limits, periodic interest debited remaining unrealised; (b) failure/anticipated failure to make timely payment of instalments of principal and interest on term loans; (c) delay in meeting commitments towards payments of installments due, crystallised liabilities under LC/BGs, etc. (d) Excessive leverage; (e) inability to adhere to financial loan covenants; and (f) failure to pay statutory liabilities, non- payment of bills to operational creditors, etc.

Resolution Plan

The Revised Framework requires all lenders, including us, to put in place policies, approved by the board of directors of the lender, for resolution of stressed assets under the Revised Framework, including the timelines for resolution. As soon as there is a default in the borrower entity's account with any lender, all lenders, singly or jointly, are required to initiate steps to cure the default. The resolution plan may involve any actions / plans / reorganization including, but not limited to, regularisation of the account by payment of all over dues by the borrower entity, sale of the exposures to other entities / investors, change in ownership, or restructuring.

The Revised Framework also prescribes additional conditions for "large" accounts (i.e. accounts where the aggregate exposure to lenders is ₹ 1 billion and above) and requires an independent credit evaluation of the residual debt (i.e. aggregate debt envisaged to be held by all the lenders as per the proposed resolution plan) by credit rating agencies and only resolution plans that acquire a minimum credit rating shall be considered for implementation

Specifically, in respect of accounts to which the lenders have an aggregate exposure of more than ₹ 20 billion, the lenders are required to implement a resolution plan within 180 days of March 1, 2018 ("**Reference Date**"), if the default exists as of the Reference Date or within 180 days of the default. The lenders shall file an insolvency application, singly or jointly, under the Insolvency and Bankruptcy Code, 2016 within 15 days from the expiry of the timelines mentioned above.

Asset Classification under the Revised Framework

In case of restructuring, the accounts classified as 'standard' shall be immediately downgraded as non-performing assets ("**NPAs**") i.e., 'sub-standard' to begin with. The NPAs, upon restructuring, would continue to have the same asset classification as prior to restructuring. Such accounts may be upgraded only when all the outstanding loan/facilities in the account demonstrate 'satisfactory performance' (i.e., payments in respect of the borrower entity are ot in default at any point of time) during the 'specified period' as defined in the Revised Framework. For large accounts (i.e. where the aggregate exposure of the lenders is more than ₹ 1 billion), any upgrade shall be subject to additional requirement of an 'investment grade' credit rating of the borrower's credit facilities.

Further, if the satisfactory performance is not demonstrated during the 'specified period', the account shall, immediately on default, be reclassified as per the repayment schedule that existed before the restructuring. Any future upgrade for such accounts shall be contingent on implementation of a fresh resolution plan and demonstration of satisfactory performance thereafter.

The provisioning in respect of exposure to borrower entities against whom insolvency applications are filed under the IBC shall be as per their asset classification in terms of the Prudential Norms, as amended from time to time.

Insolvency and Bankruptcy Code

The IBC consolidates laws relating to insolvency, reorganisation and liquidation/ bankruptcy of all persons, including companies, individuals, partnership firms and LLP**s**. The IBC has established an Insolvency and Bankruptcy Board of India to function as the regulator for all matters pertaining to insolvency and bankruptcy. The IBC prescribes a timeline of 180 days for the insolvency resolution process, which begins from the date the application is admitted by the NCLT. During this period, the creditors and the debtor shall negotiate and finalise a resolution plan (accepted by 75% of the financial creditors) and in the event, they fail, the debtor is placed in liquidation and the moratorium lifted. The IBC stipulates an interim-moratorium period which would commence after filing of the application for a fresh start process and shall cease to exist after a period of 180 days from the date of application. During such period, all legal proceedings against such debtor should be stayed and no fresh suits, proceedings, recovery or enforcement action may be initiated against such debtor. However, the IBC has also imposed certain restrictions on the debtor during the moratorium period such as the debtor shall not be permitted to act as a director of any company or be involved in the promotion or management of a company during the moratorium period.

In 2017, pursuant to an amendment to the Banking Regulation Act, the Central Government has the power to authorise the RBI to issue directions to one or more banking companies to initiate insolvency resolution process in respect of a "default" under the IBC. The RBI has also been granted powers to issue directions to banks for resolution of stressed assets.

H. Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI")

The SARFAESI Act provides for the enforcement of security interest without the intervention of the courts. Under the provisions of the SARFAESI Act, a secured creditor can recover dues from its borrowers by taking any of the measures as provided therein, including (i) taking possession of the secured assets or (ii) taking over the management of the secured assets. Rights, with respect to the enforcement of security interest, under the SARFAESI Act cannot be enforced unless the account of the borrower has been classified as a non performing asset in the books of account of the secured creditor in accordance with the directions or guidelines issued by the RBI or any other applicable regulatory authority.

In the event that the secured creditor is unable to recover the entire sum due by exercise of the remedies under the SARFAESI Act in relation to the assets secured, such secured creditor may approach the relevant court for the recovery of the balance amounts. A secured creditor may also simultaneously pursue its remedies under the SARFAESI Act.

I. Directed Lending

The Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2016 dated July 7, 2016 ("**Master Direction**") sets out the broad policy in relation to priority sector lending ("**PSL**"). In accordance with this circular, the priority sectors for all scheduled banks include (i) agriculture; (ii) micro, small and medium enterprises ("**MSMEs**"); (iii) export credit; (iv) education; (v) housing; (vi) social infrastructure; (vii) renewable energy and (viii) others. Under the Master Direction, the priority sector lending targets are linked to adjusted net bank credit as defined ("**ANBC**") or credit equivalent amount of off-balance sheet exposure, whichever is higher, as on the corresponding date of the preceding year. Currently, the total priority sector lending target for domestic banks is 40% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher. It also prescribed sub-targets for small and marginal farmers, micro-enterprises and weaker sections.

J. Master Regulations and Guidelines of the SEBI

SEBI was established in 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992 to protect the interests of public investors in securities and to promote the development of, and to regulate, the Indian securities market including all related matters. We are subject to regulations prescribed by SEBI in respect of capital issuances as well as some of our activities, including acting as agent for collecting subscriptions to public offerings of securities made by other Indian companies, underwriting, custodial, depositary participant, and investment banking and because our Equity Shares are listed on Indian stock exchanges. These regulations provide for registering with SEBI the functions, responsibilities and the code of conduct applicable for each of these activities.

K. Exposure Norms

As a prudential measure aimed at better risk management and avoidance of concentration of credit risk, the RBI has prescribed credit exposure limits for banks and long-term lending institutions in respect of their lending to individual borrowers and to all borrowers belonging to a single group. The RBI has prescribed exposure ceiling for a single borrower as 15% of capital funds and group exposure limit as 40% of capital funds comprising of Tier I and Tier II capital. Relaxations are permitted in exceptional circumstances and lending to infrastructure sector. The total exposure to a single NBFC, NBFC-AFC (Asset Financing Companies) and Infrastructure Finance Companies ("**IFCs**") should not exceed 10%, 15% and 15% respectively, of the bank's capital funds as per its last audited balance sheet. The limit may be increased by another 5% provided that the excess exposure is on account of funds on-lent to the infrastructure sector.

The aggregate exposure of a bank to the capital markets in all forms (both fund based and non-fund based) should not exceed 40% of its net worth, on both standalone and consolidated basis as on March 31 of the previous year. Within this overall ceiling, the bank's direct investment in shares, convertible bonds/debentures, units of equity-oriented mutual funds and all exposures to Venture Capital Funds (both registered and unregistered) should not exceed 20% of its net worth on both standalone and consolidated basis.

On August 25, 2016, the RBI released guidelines on Enhancing Credit Supply for Large Borrowers through market Mechanism with the objective of mitigating the risk posed to the banking system on account of large aggregate lending to a single corporate. As per the framework, exposure to corporate with large borrowing from banking system beyond the prescribed limit would attract additional provisions and higher risk weights.

On December 1, 2016, the RBI released guidelines on Large Exposures Framework to align the exposure norms for Indian banks with the Basel Committee on Banking Supervision standards. From April 1, 2019, exposure limits to single and group borrowers will be 20% and 25% of our Tier 1 Capital funds as against the current norm of 15% and 40% of the Total Capital funds Limits.

L. Regulations Relating to Know Your Customer and Anti-Money Laundering

The RBI has issued several guidelines on Know Your Customer (KYC) and Anti Money Laundering (AML) inter-alia containing rules on (i) customer identification and acceptance; (ii) monitoring of transactions; and (iii) vigilance at the time of opening accounts for new customers to prevent misuse of the banking system. Banks have been advised to ensure systems and procedures are in place to control financial frauds, identify money laundering and suspicious activities and monitor high value cash transactions. Such monitoring includes cross border transactions. Further, banks have also been advised to ensure that adequate policies are formulated and adopted in relation to KYC and AML.

M. Penalties

The RBI is empowered under the Banking Regulation Act, to impose penalties on banks and their employees in case of infringement of any provision of the Act. The penalty may be a fixed amount or may be related to the amount involved in any contravention of the regulations. The penalty may also include imprisonment.

During the financial year 2016-17, further to the media reports in October 2015 about irregularities in advance import remittances in various banks, the RBI had conducted a scrutiny of the transactions carried out by the Bank under Section 35(1A) of the Banking Regulation Act, 1949. The RBI issued a Show Cause Notice dated April 18, 2016 to which the Bank had submitted its detailed response. After considering the Bank's submission, the RBI imposed a penalty of ₹ 20 million on the Bank vide its letter dated July 19, 2016 on account of pendency in receipt of bill of entry relating to advance import remittances made and lapses in adhering to KYC / AML guidelines in this respect. The penalty has since been paid. The Bank has implemented a comprehensive corrective action plan, to strengthen its internal control mechanisms so as to ensure that such incidents do not recur.

The Financial Intelligence Unit of the Ministry of Finance ("**FIU**"), in January 2015, levied a fine on us of ₹ 2.6 million during the fourth quarter of fiscal 2015 relating to our failure in detecting and reporting attempted suspicious transactions. We filed an appeal against the order of the FIU and in June 2017, the appellate tribunal dismissed the penalty levied by the FIU and observed that the prescribed matter fell within the provisions of section 13(2)(a) of the Prevention of Money Laundering Act ("**PMLA**"), 2002 (pursuant to which a warning was required to be given to us), and that the matter did not fall within section 13(2)(d) of the PMLA (pursuant to which monetary penalties can be imposed on failure to comply with certain obligations under the PMLA) as mentioned by the FIU. Subsequently, the FIU has informed the Bank by its letter dated October 25, 2017 advising the Bank that the FIU has challenged the said order of the appellate tribunal, with regard to the direction to release the FD before the High Court of Delhi under Section 42 of the PMLA. See "Risk factors- *We have previously been subject to penalties imposed by the RBI. Any regulatory investigations, fines, sanctions, and requirements relating to conduct of business and financial crime could negatively affect our business and financial results, or cause serious reputational harm*." on page 49.

N. Legal Reserve Requirements

1. Cash Reserve Ratio

Each bank is required to maintain CRR on a daily basis which is a specified percentage of total of DTL adjusted for the exemptions, by way of a balance in a current account with the RBI. At present the required CRR is 4%. The RBI does not pay any interest on CRR balances. The CRR has to be maintained on an average basis for a fortnightly period and the minimum daily maintenance of the CRR should be 90% effective from the fortnight beginning April 16, 2016. The RBI may impose penal interest at the rate of 3% above the bank rate on the amount by which the reserve falls short of the CRR required to be maintained on a particular day and if the shortfall continues further the penal interest charged shall be increased to a rate of 5% above the bank rate in respect of each subsequent day during which the default continues. In case of default in the maintenance of CRR on average basis during the fortnight, penal interest will be recovered as envisaged under Section 42(3) of the RBI Act.

2. Statutory Liquidity Ratio

Each Bank is required to maintain a SLR, a specified percentage of total DTL by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, pursuant to Section 24 of the Banking Regulation Act. At present, the RBI requires banks to maintain SLR of 19.50%.

RBI requires the banks to create a reserve fund to which it must transfer not less than 25.00% of the profits of each year before dividends. If there is an appropriation from this account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation.

O. Regulations relating to Authorised Dealers (“ADs”) for foreign exchange and cross-border business transactions

The foreign exchange and cross border transactions undertaken by banks, both on its own account and also on behalf of customers, are subject to the provisions of the Foreign Exchange Management Act and rules/ regulations/ directions and notifications issued thereunder. The bank should monitor all non-resident accounts and cross border transactions to prevent money laundering. RBI may impose penalty for contravention of Foreign Exchange Management Act, 1999 and regulations/ notifications issued there under or contravenes any condition subject to which an authorisation is issued by the Reserve Bank.

P. Foreign Ownership Restriction

Aggregate foreign investment, in a private sector bank is permitted up to 49% of the paid up capital under the automatic route. This limit can be increased up to 74% of the paid up capital with prior approval from the Department of Financial Services. Pursuant to a letter dated February 4, 2015 from the erstwhile Foreign Investment Promotion Board and letter dated June 25, 2018 from the Department of Financial Services, Ministry of Finance, Government of India, the Bank has received approval for aggregate foreign investment in the Bank up to 74% of its paid up capital. As of March 31, 2018, aggregate foreign investment in the Bank, including the shareholdings of HDFC Limited and its subsidiaries, constituted 72.62% of the paid up capital of the Bank. Further, SEBI has through circular dated April 5, 2018, put in place a new system for monitoring the foreign investment limits in listed Indian companies, and by its circular dated May 17, 2018, SEBI has directed that the system be made operational from June 1, 2018. Accordingly, the listed Indian company shall have to appoint any one depository as its designated depository to facilitate the monitoring of the foreign investment limits.

Q. Secrecy obligation

Banks’ obligations relating to maintaining secrecy arise out of regulatory prescription and also common law principles governing the relationship between them and their customers. Banks cannot disclose any information to third parties except under certain limited and clearly defined circumstances as detailed in the guidelines issued by the RBI.

R. Ownership restrictions

Section 12 of the Banking Regulation Act prohibits any shareholder of the bank from exercising voting rights on poll in excess of 10% of total voting rights of all the shareholders of the bank. However, the RBI may increase this ceiling to 26% in a phased manner. At present this is capped by RBI at 15%, vide the Reserve Bank of India (Ownership in Private Sector Banks) Directions, 2016 (“**Directions on Ownership**”) dated May 12, 2016.

RBI guidelines prescribe a policy framework for the ownership and governance of private sector banks. As per the extant guidelines any individual / entity who wishes to acquire shareholding of 5% or more but less than 10% of the total paid up capital of the Bank needs to obtain prior approval of the RBI. Thereafter prior approval is also needed to go beyond 10%. The RBI, when considering whether to grant an approval, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fit and proper criteria.

The Directions on Ownership envisage diversified shareholding in private sector banks by a single entity/corporate entity/group of related entities. Pursuant to the Directions on Ownership, ownership limits for all shareholders in the private sector bank in the long run shall be stipulated under two broad categories: (i) natural persons (individuals) and (ii) legal persons (entities/institutions). Further, separate limits are now stipulated for (i) non-financial and (ii) financial institutions; and among financial institutions, for diversified and non-diversified financial institutions.

S. Issue of shares by private sector banks

The Reserve Bank of India (Issue and Pricing of Shares by Private Sector Banks) Directions, 2016 provides general permission for issue of shares by private sector banks through the routes mentioned therein subject to certain conditions, *among others*, the issue of shares is required to be in compliance with the Companies Act, 2013 and SEBI regulations; the issue of shares has the approval from the bank's board or shareholders, as may be required under the Companies Act, 2013 or applicable SEBI regulations.

T. Downstream investment by banks

In accordance with the Consolidated FDI Policy, downstream investments made by a banking company, as defined in section 5(c) of the Banking Regulation Act, incorporated in India, which is owned and / or controlled by non-residents/ non-resident entity, under corporate debt restructuring, or other loan restructuring mechanism, or in trading books, or for acquisition of shares due to defaults in loans, shall not count towards indirect foreign investment.

U. Guidelines for merger and amalgamation of private sector banks

The Reserve Bank of India (Amalgamation of Private Sector Banks) Directions, 2016 dated April 21, 2016 relate to: (i) an amalgamation of two banking companies; and (ii) an amalgamation of a NBFC with a banking company. The Reserve Bank has discretionary powers to approve the voluntary amalgamation of two banking companies under the provisions of Section 44A of the Banking Regulation Act, 1949.

V. Regulation of financial services provided by banks

The Reserve Bank of India (Financial Services provided by Banks) Directions, 2016 dated May 26, 2016 require banks to comply with certain restrictions while undertaking financial services including in relation to risk mitigation measures, limits on investment that can be made by banks in companies undertaking financial services. The directions also provide for specific regulations for certain financial services such as, *among others*, setting of an infrastructure debt fund, underwriting activities, mutual fund business, insurance business.

W. Guidelines on management of intra-group transactions and exposures

The RBI issued the Guidelines on Management of Intra-Group Transactions and Exposures on February 11, 2014. Pursuant to the said guidelines, RBI has prescribed quantitative limits on financial intra-group transactions and exposures and prudential measures for the non-financial intra-group transactions and exposures. These guidelines also require that all intra-group transactions to be at "arms-length".

X. Capital and provisioning requirements for exposures to entities with unhedged foreign currency exposure

The RBI issued a circular relating to Capital and Provisioning Requirements for Exposures to entities with Unhedged Foreign Currency Exposure on January 15, 2014. Pursuant to these guidelines, RBI has introduced incremental provisioning and capital requirements for bank exposures to entities with unhedged foreign currency exposures.

Y. Central Repository of Large Common Exposures

The RBI has introduced Central Repository of Large Common Exposures (CRILC) repository of large credits and share information with the banks for enabling them to be aware of building leverage and common exposures. All banks are required to report to RBI , on a quarterly basis, exposures of individuals and entities having exposure (both fund and non-fund based) of more than ₹ 50.00 million and also details of customers with outstanding current account balance (debit or credit) of ₹ 10.00 million and above. In addition, RBI guidelines require banks to report, among others, the SMA 2 (Principal or interest payment overdue between 61-90 days) status of the borrower to the

CRILC. Any non-submission of or wrong reporting in these returns attracts penalties as specified in the Banking Regulation Act 1949.

Z. The Banking Ombudsman Scheme, 2006

The Banking Ombudsman Scheme, 2006 ("**Scheme**") provides the extent and scope of the authority and functions of the Banking Ombudsman for redressal of grievances against deficiency in banking services, concerning loans and advances and other specified matters. On February 3, 2009, the Scheme was amended to provide for revised procedures for redressal of grievances by a complainant under the Scheme. The Banking Ombudsman receive and consider complaints relating to the deficiencies in banking or other services filed on the grounds mentioned in the Scheme and facilitate their satisfaction or settlement by agreement or through conciliation and mediation between the bank concerned and the aggrieved parties or by passing an award in accordance with the Scheme.

AA. Declaration of dividend by banks

The payment of dividends by banks is subject to restrictions under the Banking Regulation Act. Section 15(1) of the Banking Regulation Act states that no banking company shall pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organisation expenses, share-selling commissions, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off. In addition, Section 17(1) of the Banking Regulation Act requires every banking company to create a reserve fund and, out of the balance of the profit of each year as disclosed in the profit and loss account, transfer a sum equivalent to not less than 25% of such profit to the reserve fund before declaring any dividend.

In May 2005, the RBI issued guidelines on Declaration of Dividends by Banks, which prescribed certain conditions for declaration of dividends by banks. Further, the Master Circular on Basel III Capital Regulations as amended and updated from time to time, also regulates the distribution of dividends by banks".

BB. Regulations governing International Operations

The Bank's international operations are governed by regulations in the countries in which the Bank has a presence and also certain guidelines issued by Reserve Bank of India.

CC. Consolidated Supervision Guidelines

In 2003, the RBI issued guidelines for consolidated accounting and consolidated supervision for banks. Under the guidelines, banks are required to prepare consolidated financial statements, submit consolidated prudential returns among other things.

DD. Regulations relating to banking business

The Banking Regulation Act defines the forms of business in which a banking company may engage. RBI has issued various guidelines/directions governing the functioning of banks in India. These guidelines cover, not limited to, governance, deposits, loans, investments, risk management, operations, audit, compliance, housekeeping etc.

EE. Classification and Reporting of Fraud Cases

The RBI issued guidelines on the classification and reporting of fraud cases. The fraud cases have been classified into misappropriation and criminal breach of trust, fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property, unauthorised credit facilities extended for reward or for illegal gratification, negligence and cash shortages, cheating and forgery, irregularities in foreign exchange and any other type of fraud not coming under the specific heads as above. The banks are required to submit fraud related data to RBI through various returns/ reports.

FF. Marginal Cost of Funds based Lending Rate (MCLR)

Pursuant to the notification issued by RBI dated December 17, 2015, all rupee loans sanctioned and credit limits renewed with effect from April 1, 2016 are to be priced with reference to the MCLR which is the internal benchmark for such purposes. MCLR comprise of: (a) marginal cost of funds; (b) negative carry on account of CRR (c) operating costs (d) tenor premium.

GG. Indian Accounting Standards

The MCA, in its press release dated January 18, 2016, issued a roadmap for the implementation of Indian Accounting Standards ("**IND-AS**") converged with the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board with certain carve-outs for scheduled commercial banks, insurance companies and non-banking financial companies (the "**2016 roadmap**"). The 2016 roadmap requires such institutions to prepare IND-AS based financial statements for the accounting periods commencing on or after April 1, 2018, and to prepare comparative financial information for accounting periods commencing on or after April 1, 2017. The RBI, in its circular dated February 11, 2016, requires all scheduled commercial banks to comply with IND-AS for financial statements for the periods stated above. In April 2018, the RBI has deferred the effective date for implementation of Ind-AS by one year. For more information on deferment of implementation of IND-AS, see "Presentation of Financial and Other Information" on page 10. The RBI does not permit banks to adopt IND-AS earlier than these timelines. The new accounting standards are expected to change, among other things, our methodologies for estimating allowances for probable loan losses and classifying and valuing our investment portfolio, as well as our revenue recognition policy.

HH. Appointment and Remuneration of the Chairman, the Managing Director and Other Directors

Banks require the prior approval of the RBI to appoint their Chairman and Managing Director and any other whole-time or executive directors and to fix their remuneration. The RBI is empowered to remove the appointee on the grounds of public interest or the interest of depositors or to ensure the proper management of the bank. Further, the RBI may order meetings of the board of directors of banks to discuss any matter in relation to the bank, appoint observers to these meetings and in general may make changes to the management as it may deem necessary and can also order the convening of a general meeting of the company to elect new directors.

II. Law governing our Subsidiaries

Our Subsidiaries are engaged in various sectors and are governed by numerous regulators. Any investment made by our Subsidiaries will be subject to applicable law. The following description relates to certain Subsidiaries of the Bank and is not meant to be exhaustive, and is only intended to provide general information to the investors on some of the key regulations and policies applicable to our Subsidiaries.

A. Non-Banking Finance Companies

The RBI Act defines an NBFC as (a) a financial institution which is a company; (b) a non-banking institution which is a company and which has, as its principal business, the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner; or (c) such other non-banking institution or class of institutions as the RBI may, with the previous approval of the Central Government, and by notification in the Official Gazette, specify. NBFCs are required to obtain a certificate of registration from the RBI and maintain net owned funds as prescribed, prior to commencement of the business as a non banking financial institution.

Some of the important regulations that affect the operations of the NBFCs in our group are as under:

- NBFCs are also governed by regulations on Income Recognition, Asset Classification and Provisioning norms which are similar to those applicable to the Bank to a great extent with minor differences.
- While there are no separate CRR and SLR requirements, there is a requirement to maintain Statutory Reserve in the form of cash balances / investments in financial instruments etc.
- NBFCs are also required to report large credit exposures under CRILC.
- NBFCs are required to report the Frauds to Reserve Bank of India on a periodical basis much similar to that of Banks.
- NBFCs are not a part of the payment and settlement system.

B. Stock broking

Stock brokers, sub-brokers and clearing members in India are regulated by the Securities and Exchange Board of India (Stock-Brokers and Sub-Brokers) Regulations, 1992 ("**Stock Brokers Regulations**"). Each stock-broker, sub-broker and clearing member is required to be registered under the Stock Brokers Regulations. The Stock Brokers Regulations require every stock-broker to keep and maintain its books of accounts, records and documents, and appoint a compliance officer, amongst other things. Further, SEBI may impose restrictions on them regarding dealing in securities.

Some of the key changes in the regulations which affect the business are as under:

- Regulations regarding brokerage and margin maintenance.
- Centralised KYC requirements.
- Requirements under FATCA.
- Regulations regarding pay outs by the brokers.
- IPO regulations.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The Board presently consists of 11 Directors and as per our Articles of Association, we shall not have less than three Directors and not more than 15 Directors. The quorum for meetings of the Board is one third of the total number of Directors or two Directors, whichever is higher. Where the number of interested Directors exceeds or is equal to two thirds of the total number of remaining Directors present at such meeting, the number of remaining Directors who are not interested and are present at the meeting, not being less than two, shall be the quorum during such time.

The Banking Regulation Act and RBI notification dated November 24, 2016 requires that at least 51.00% of Directors have specialised knowledge or practical experience in one or more of the following areas: accountancy, agriculture and rural economy, banking, cooperation, economics, finance, law, small-scale industry, information technology, payment and settlement systems, human resources, risk management, business management and any other fields RBI may specify. Out of the aforesaid number of Directors, not less than two Directors are required to have specialised knowledge or practical experience in agriculture and rural economy, cooperation or small-scale industry. Malay Patel has specialised knowledge and practical experience with small scale industries, Umesh Chandra Sarangi has specialised knowledge and practical experience in the agricultural sector while Srikanth Nadhamuni has expertise in the field of information technology. Further, under the Banking Regulation Act, the appointment of the Chairman and whole-time Directors requires the approval of the RBI. The RBI has also prescribed “fit and proper” criteria to be considered when appointing directors of banks, with the Bank’s Directors being required to make declarations confirming their on-going compliance with such criteria.

Pursuant to the provisions of the Companies Act, at least two-thirds of the total number of directors excluding the Independent Directors are liable to retire by rotation, with one-third of such number retiring at each annual general meeting. A retiring director is eligible for re-election. Further, the Independent Directors may be appointed for a maximum of two terms of up to five consecutive years each. Any re-appointment of Independent Directors shall *inter alia* be on the basis of the performance evaluation report and approved by the shareholders by way of special resolution. Pursuant to the provisions of the Banking Regulation Act, none of the directors other than whole-time Directors may hold office continuously for a period of eight years.

The following table sets forth details regarding the Board of Directors as of the date of this Preliminary Placement Document:

Sr. No.	Name, Address, Occupation, DIN, Term and Nationality	Age	Designation
1.	**Shyamala Gopinath** **Address**: 1103, Girnar Heights, B-wing, Bhakti Park,Wadala (East), Mumbai 400037 **Occupation**: Service **DIN**: 02362921 **Term**: Up to January 1, 2021 **Nationality**: Indian	69	Non-executive part-time Chairperson
2.	**Aditya Puri** **Address**: 1001-1002, Vinayak Angan, N.B. Parulekar Marg, Prabhadevi, Mumbai 400 025 **Occupation**: Service **DIN**: 00062650 **Term**: October 31, 2018* **Nationality**: Indian * The shareholders of the Bank have approved Aditya Puri’s appointment for a period of five years with effect from November 1, 2015, at the annual general meeting held on July 21, 2015. However, the	67	Managing Director

Sr. No.	Name, Address, Occupation, DIN, Term and Nationality	Age	Designation
	RBI has, pursuant to its letter dated October 20 2015, approved his re-appointment for a period of three years with effect from November 1, 2015.		
3.	**Paresh Sukthankar** **Address**: Flat No. 701 , Seventh floor, C wing, Raheja Atlantis, Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013 **Occupation**: Service **DIN**: 01843099 **Term**: June 12, 2020 **Nationality**: Indian	55	Deputy Managing Director
4.	**Kaizad Bharucha** **Address**: 401, Buena Vista, St.Alexious Road, Bandra (West), Mumbai 400 050 **Occupation**: Service **DIN**: 02490648 **Term**: June 12, 2020 **Nationality**: Indian	53	Executive Director
5.	**Bobby Parikh** **Address**: 4, Seven on the Hill, Auxilium Convent Road, Pali Hill, Bandra. Mumbai 400 050 **Occupation**: Service **DIN**: 00019437 **Term**: Up to January 26, 2019 **Nationality**: Indian	54	Independent Director
6.	**Malay Patel** **Address**: 22/A, Jay Yog Bungalow, Laxmi Society, Law Garden, Ellisbridge, Ahmedabad 380 006 **Occupation**: Small scale industrialist **DIN**: 06876386 **Term**: July 20, 2020 **Nationality**: American, Overseas Citizen of India	41	Independent Director
7.	**Partho Datta** **Address**: 19/2, Dover Road, Ballygunge, Kolkata 700 019	69	Independent Director

Sr. No.	Name, Address, Occupation, DIN, Term and Nationality	Age	Designation
	Occupation: Service **DIN**: 00040345 **Term**: Up to September 29, 2018 **Nationality**: Indian		
8.	**Keki Mistry** **Address**: Flat No. 2603, B-wing, Vivarea, Sane Guruji Marg, Mahalaxmi 400 011 **Occupation**: Service **DIN**: 00008886 **Term**: Liable to retire by rotation **Nationality**: Indian	63	Non-executive Director
9.	**Umesh Chandra Sarangi** **Address**: 303, Raisoni, Residency, Near Poonawala Garden. Salisbury Park, Pune 411 037 **Occupation**: Service **DIN**: 02040436 **Term**: July 20, 2021 **Nationality**: Indian	66	Independent Director
10.	**Srikanth Nadhamuni** **Address**: Adarsh Palm Retreat, Villa 25, Outer Ring Road, Devarabisnahalli, Bangalore- 560 037 **Occupation**: Service **DIN**: 02551389 **Term**: Liable to retire by rotation **Nationality**: American, Overseas Citizen of India	54	Non-executive Director
11.	**Sanjiv Sachar** **Address**: 1525 B, The Magnolias, DLF Golf Links, DLF 5, Gurugram, Haryana- 122009 **Occupation**: Professional **DIN**: 02013812 **Term**: Till ensuing Annual General Meeting **Nationality**: Indian	60	Additional Director

Biographies of the Directors

Shyamala Gopinath is the part-time Non-Executive Chairperson of the Bank. She holds a master's degree in commerce and is a certified associate of the Indian Institute of Bankers. She has 39 years of experience in financial sector policy formulation in different capacities at the RBI. As Deputy Governor of the RBI for seven years and a member of the RBI's board of directors, she guided and influenced national policies in diverse areas such as regulation and supervision of financial sector, financial markets, and capital account management. During 2001 to 2003, she worked as senior financial sector expert in the then Monetary Affairs and Exchange Department of the International Monetary Fund (Financial Institutions Division). She is an independent director in a few listed and unlisted companies including not for profit entities. She served as the Chairperson on the Advisory Board on Bank, Commercial and Financial Frauds for two years from 2012 to 2014 and the Corporate Bonds and Securitisation Advisory Committee of SEBI from August 2011 till January 2018. She currently chairs the Board of Governors of Indian Institute of Management, Raipur.

Aditya Puri is and has been the Managing Director of the Bank since September 1994. He holds a bachelor's degree in commerce from Punjab University and is an associate member of ICAI. Prior to joining the Bank, he was the chief executive officer of Citibank, Malaysia from 1992 to 1994. He has over 40 years of experience in the banking sector in India and abroad. He was named amongst the best 30 chief executive officers in the world in the Barron's list for the years 2015 and 2017. He is the Non-Executive Chairman of HDB Financial Services Limited, a subsidiary of the Bank.

Paresh Sukthankar is the Deputy Managing Director of the Bank. He completed his graduation from Sydenham College, Mumbai and holds a bachelor's degree in commerce from University of Mumbai. He has done his masters in management studies from Jamnalal Bajaj Institute (Mumbai). He has also completed the Advanced Management Program from the Harvard Business School. He has been associated with the Bank since its inception. At the Bank, he has direct or supervisory oversight over the various key areas including Credit, Risk Management, Finance, Human Resources, Investor Relations, Corporate Communications, Corporate Social Responsibility and Information Security verticals of the Bank.

Kaizad Bharucha is an Executive Director of the Bank. He holds a bachelor's degree in commerce from University of Mumbai. He has been associated with the Bank since 1995. In his current position as Executive Director, he is responsible for Wholesale Banking covering areas of Corporate Banking, Emerging Corporate Group, Business Banking, Healthcare finance, Agricultural lending and Department for Special Operations. In his previous position as Group Head - Credit & Market Risk, he was responsible for the Risk Management activities in the Bank, which are, Credit Risk, Market Risk, Debt Management, Risk Intelligence and Control functions. He has been a career banker with over three decades of banking experience. Prior to joining the Bank, he worked in SBI Commercial and International Bank in various areas including Trade Finance and Corporate Banking. He has represented HDFC Bank as a member of the working group constituted by the Reserve Bank of India to examine the role of Credit Information Bureau and on the sub-committee with regard to adoption of the Basel II guidelines.

Bobby Parikh is an Independent Director of the Bank. He has been associated with the Bank as a Director since January, 2011. He is a qualified chartered accountant from the ICAI, and holds a bachelor's degree in commerce from the University of Mumbai. He is one of the financial experts on the Audit Committee of the Bank.

Malay Patel is an Independent Director of the Bank. He is a major in engineering (Mechanical) from Rutgers University, Livingston, NJ, USA. He is a director on the board of directors of Eewa Engineering Company Private Limited, a company in the plastics and packaging industry. He has been involved in varied roles such as export, import, procurement, sales and marketing, among others, in Eewa Engineering Company Private Limited. He has knowledge and practical experience in matters relating to small scale industries in terms of Section 10-A (2)(a) of the Banking Regulation Act, 1949.

Partho Datta is an Independent Director of the Bank. He is an associate member of the ICAI. He joined Indian Aluminum Company Limited ("**INDAL**") and was with INDAL and its parent company in Canada for 25 years and held positions as Treasurer, Chief Financial Officer and Director Finance during his tenure. He joined the Chennai based Murugappa Group thereafter as the head of Group Finance and was a member of the Management Board of the Group, as well as Director in several Murugappa Group companies. Post retirement from the Murugappa Group, he was an advisor to the Central Government appointed Board of Directors of Satyam Computers Services Limited during the restoration process and has also been engaged in providing business / strategic and financial consultancy on a selective basis. He is one of the financial experts on the Audit Committee of the Board.

Keki Mistry is a Non-executive Director of the Bank. He holds a bachelor's degree in commerce from the University of Mumbai. He is a fellow member of the ICAI. In the year 1981, he joined Housing Development Finance Corporation Limited ("**HDFC Limited**''). He was inducted to the board of directors of HDFC Limited as an executive director in 1993 and is currently the vice chairman and chief executive officer of HDFC Limited. He is the Chairman of the CII National Council on Corporate Governance and also a member of the Committee on Corporate Governance set up by SEBI.

Umesh Chandra Sarangi is an Independent Director of the Bank. He holds a master's degree in Science (Botany). He has 35 years of experience in the Indian Administrative Services. As the erstwhile chairman of the National Bank for Agricultural and Rural Development from December 2007 to December 2010, he focused on rural infrastructure, accelerated initiatives such as microfinance, financial inclusion, watershed development and tribal development. He has been appointed as a Director having specialised knowledge and experience in agriculture and rural economy pursuant to Section 10-A (2)(a) of the Banking Regulation Act, 1949.

Srikanth Nadhamuni is a Non-executive Director of the Bank. He holds a master's degree in Electrical Engineering from Louisiana State University. He presently is the Chairman of Novopay Solutions Private Limited, a company involved in the area of mobile payments and is the chief executive officer of Khosla Labs Private Limited, a start-up incubator. He has also been a co-founder of e-Governments Foundation, which aims to improve governance in Indian cities, creation of Municipal enterprise resource planning suite which improves service delivery of cities. He was the Head (Technology Development) – UID Project, beginning in 2009, where he participated in the design and development of the world's largest biometric based ID system.

Sanjiv Sachar is an Additional Director of the Bank. He is a member of the ICAI and was a founding member of Egon Zehnder International Private Limited ("**Egon Zehnder**"), an executive search firm. He was involved in setting up the practice of Egon Zehnder in India in 1995. He has also been the proprietor of a chartered accountancy and management consulting firm, Sachar Vasudeva & Associates. He was Government of India's nominee on the first board constituted for Indian Institute of Management, Rohtak.

Relationship with other Directors

None of the Directors of the Bank are related to each other.

Borrowing powers of the Board

The Board of Directors is authorised to borrow money upon such terms and conditions as the Board may think fit and may exceed the aggregate of our paid up capital and free reserves, provided that the aggregate amount of its borrowings shall not exceed ₹ 500 billion over and above the aggregate paid-up capital and free reserves of the Bank at any time. Our borrowing limits may be changed from time to time, subject to approval of the Board and shareholders.

Interest of the Directors

Executive Directors

The Executive Directors may be deemed to be interested to the extent of remuneration paid to them for services rendered. Executive Directors may also be regarded as interested in any Equity Shares or any stock options held by them and also to the extent of dividend that may accrue to them or be payable to them and other distributions in respect of such Equity Shares held by them.

Non-Executive Directors

Non-Executive Directors may be deemed to be interested to the extent of fees payable to them for attending Board or Board Committee meetings as well as to the extent of reimbursement of expenses payable to them. The part-time Chairperson may also be deemed to be interested to the extent of remuneration paid to her for services rendered. The Non-Executive Directors (excluding the Chairperson) may be deemed to be interested to the extent of profit-related commission payable to them as per the RBI Guidelines in this regard. Non-Executive Directors may also be regarded as interested in any Equity Shares held by them and also to the extent of dividend that may accrue to them or be payable to them and other distributions in respect of such Equity Shares held by them.

All the Directors may also be regarded as interested in the Equity Shares held by, or acquired by, their relatives or the companies, firms and trust, in which they are interested as directors, members, partners or trustees.

As part of their investment portfolio our Directors may from time to time hold direct or beneficial interests in securities of the Bank or other companies, with which the Bank has engaged or may engage in transactions, including those in the ordinary course of business. Our Directors may also, from time to time, avail normal banking services of the Bank.

Except as stated below, we have not entered into any contract, agreement or arrangement during the preceding two years from the date of this Preliminary Placement Document in which any of the Directors are interested, directly or indirectly, and no payments have been made to them in respect of any such contracts, agreements, arrangements which are proposed to be made with them:

1. The Bank has entered into a rent agreement with Salisbury Investments Private Limited in which Aditya Puri's children are majority shareholders. The rent agreement is with effect from April 1, 2016 and the Bank pays a rent of ₹ 550,000 per month and has paid a deposit of ₹ 35,000,000 under this agreement.

2. The Bank has entered into a leave and license agreement with Paresh Sukthankar for a period of three years from June 13, 2017. The Bank pays a rent of ₹ 325,000 per month and has paid a deposit of ₹ 17,500,000 under this arrangement.

3. The Bank has entered into a leave and license agreement with Kaizad Bharucha for a period of three years from June 13, 2017. The Bank pays a rent of ₹ 310,000 per month and has paid a deposit of ₹ 7,600,000 under this arrangement.

Shareholding of Directors

The following table sets forth the shareholding of the Directors in the Bank as of June 30, 2018:

Name	Number of Equity Shares	Percent of Total Number of Outstanding Equity Shares
Shyamala Gopinath	Nil	Nil
Aditya Puri*	3,704,544	0.14
Paresh Sukthankar*	831,905	0.03
Kaizad Bharucha*	980,551	0.04
Bobby Parikh	11,196	Nil
Malay Patel	Nil	Nil
Partho Datta	Nil	Nil
Keki Mistry	296,130	0.01
Umesh Chandra Sarangi	Nil	Nil
Srikanth Nadhamuni	Nil	Nil
Sanjiv Sachar	Nil	Nil

Notes:
** The Executive Directors of the Bank have been granted certain ESOPs. For further details see page* 166.

Terms of appointment of the Executive Directors

Aditya Puri

Aditya Puri was re-appointed as the Managing Director and Chief Executive Officer of the Bank pursuant to a special resolution passed by our shareholders at the AGM held on July 21, 2015 for a period of five years with effect from November 1, 2015. The RBI has, pursuant to its letter dated October 20 2015, approved his re-appointment for a period of three years with effect from November 1, 2015. The RBI has also, pursuant to its letter dated January 31, 2018, approved an annual remuneration of ₹ 61,464,096 for him, which includes salary and allowances. He is also entitled to perquisites, provident fund, gratuity, retirement benefits, performance bonus and employee stock options.

Paresh Sukthankar

Paresh Sukthankar was re-appointed as the Deputy Managing Director of the Bank for a period of three years with effect from June 13, 2017 pursuant to the resolution passed by our shareholders at the AGM held on July 24, 2017. The RBI has, pursuant to its letter dated May 31, 2017, approved his re-appointment for a period of three years with effect from June 13, 2017. The RBI has also, pursuant to its letter dated January 31, 2018, approved an annual remuneration of ₹ 36,311,708 for him, which includes salary and allowances. He is also entitled to perquisites, provident fund, performance bonus and gratuity. He is also eligible for employee stock options subject to approval from the RBI.

Kaizad Bharucha

Kaizad Bharucha was re-appointed as an Executive Director of the Bank for a period of three years with effect from June 13, 2017 pursuant to the resolution passed by our shareholders at the AGM held on July 24, 2017. The RBI has, pursuant to its letter dated May 31, 2017, approved his re-appointment for a period of three years with effect from June 13, 2017. The RBI has also, pursuant to its letter dated January 31, 2018, approved an annual remuneration of ₹ 30,820,608 for him, which includes salary and allowances. He is also entitled to perquisites, provident fund, performance bonus, and gratuity. Further, he is eligible for employee stock options subject to approval from RBI.

Compensation of the Directors

Non-executive Directors

The non-executive Directors are paid remuneration consisting of sitting fees, which is determined by the Board of Directors. The Bank pays sitting fees of ₹ 1,00,000 per Board meeting and ₹ 50,000 per Committee meeting attended by the Non-executive Directors. In addition, the Non-executive Directors, excluding the Chairperson, are paid profit-related commission not exceeding ₹ 1 million per annum per director pursuant to the RBI Guidelines on Compensation to Non-Executive Directors of Private Sector Banks dated June 1, 2015.

The following tables set forth the compensation paid by the Bank to the present non-executive Directors of the Bank for the current Fiscal Year 2019 (to the extent applicable) and for the Fiscal Years 2018, 2017 and 2016:

Fiscal Year 2019 (to the extent applicable):

Name of the Directors	Commission (₹)	Sitting Fees (₹)	Others (₹)	Total (₹)
Shyamala Gopinath	-	1,300,000	874,998	2,174,998
Keki Mistry	-	850,000	-	850,000
Malay Patel	-	1,200,000	-	1,200,000
Partho Datta	-	800,000	-	800,000
Bobby Parikh	-	1,150,000	-	1,150,000
Umesh Chandra Sarangi	-	900,000	-	900,000
Srikanth Nadhamuni	-	450,000	-	450,000
Sanjiv Sachar	-	-	-	-

Fiscal Year 2018:

Name of the Directors	Commission (₹)*	Sitting Fees (₹)	Others (₹)	Total (₹)
Shyamala Gopinath	-	2,350,000	3,123,662	5,473,662
Keki Mistry	1,000,000	1,450,000	-	2,450,000
Malay Patel	1,000,000	1,650,000	-	2,650,000
Partho Datta	1,000,000	1,950,000	-	2,950,000
Bobby Parikh	1,000,000	2,250,000	-	3,250,000
Umesh Chandra Sarangi	1,000,000	1,450,000	-	2,450,000
Srikanth Nadhamuni	1,000,000	1,350,000	-	2,350,000
Sanjiv Sachar	-	-	-	-

* *The commission for Fiscal Year 2018 was paid in Fiscal Year 2019.*

Fiscal Year 2017:

Non-executive Director	Commission (₹)*	Sitting Fees (₹)	Others (₹)	Total (₹)
Shyamala Gopinath	-	2,700,000	3,000,000	5,700,000
Keki Mistry	1,000,000	1,750,000	-	2,750,000
Malay Patel	1,000,000	1,450,000	-	2,450,000
Partho Datta	1,000,000	2,300,000	-	3,300,000
Bobby Parikh	1,000,000	2,750,000	-	3,750,000
Umesh Chandra Sarangi	1,000,000	1,200,000	-	2,200,000
Srikanth Nadhamuni	1,000,000	550,000	-	1,550,000
Sanjiv Sachar	-	-	-	-

* *The commission for Fiscal Year 2017 was paid in Fiscal Year 2018.*

Fiscal Year 2016:

Name of the Directors	Commission (₹)*	Sitting Fees (₹)	Others	Total (₹)
Shyamala Gopinath	-	2,500,000	3,000,000	5,500,000
Keki Mistry	1,000,000	1,600,000	-	2,600,000
Partho Datta	1,000,000	2,000,000	-	3,000,000
Bobby Parikh	1,000,000	2,400,000	-	3,400,000
Malay Patel	1,000,000	1,300,000		2,300,000
Umesh Chandra Sarangi	-	-	-	-
Srikanth Nadhamuni	-	-	-	-
Sanjiv Sachar	-	-	-	-

** The commission for Fiscal Year 2016 was paid in Fiscal Year 2017.*

Executive Directors

The following tables set forth the details of remuneration paid by the Bank to the present executive directors of the Bank for the current Fiscal Year 2019 (to the extent applicable) and for the Fiscal Years 2018, 2017 and 2016:

Fiscal Year 2019 (to the extent applicable):

Name of the Director	Basic (₹)	Allowances and perquisites (₹)	Provident fund (₹)	Superannuation (₹)	Performance bonus (₹)	Stock options granted#
Aditya Puri	1,51,09,344	59,53,887	18,13,120	22,66,402	3,47,09,143*	Nil
Paresh Sukthankar	81,86,736	53,85,880	9,82,408	12,28,010	1,95,53,858**	Nil
Kaizad Bharucha	54,88,000	62,59,541	6,58,560	8,23,200	1,37,00,087***	Nil

** Includes bonus of Rs. 2,54,76,422 pertaining to fiscal 2017 paid out in fiscal 2019 and deferred bonus tranches of earlier financial years amounting to Rs. 92,32,721.*

*** Includes bonus of Rs. 1,40,49,173 pertaining to fiscal 2017 paid out in fiscal 2019 and deferred bonus tranches of earlier financial years amounting to Rs. 55,04,685.*

**** Includes bonus of Rs. 1,02,21,120 pertaining to Fiscal Year 2017 paid out in Fiscal Year 2019 and deferred bonus tranches of earlier financial years amounting to Rs. 3,478,967*

Fiscal Year 2018:

Name of the Director	Basic (₹)	Allowances and perquisites (₹)	Provident fund (₹)	Superannuation (₹)	Performance bonus (₹)	Stock options granted##
Aditya Puri	45,328,032	29,701,519	5,439,360	6,799,205	9,231,505*	701,600
Paresh Sukthankar	24,560,202	16,315,495	2,947,223	3,684,031	5,503,960**	319,000
Kaizad Bharucha	16,464,000	18,952,529	1,975,680	2,469,600	3,478,460***	232,000

** Includes deferred bonus tranches of earlier financial years amounting to ₹ 9,231,505.*

*** Includes deferred bonus tranches of earlier financial years amounting to ₹ 5,503,960.*

**** Includes deferred bonus tranches of earlier financial years amounting to ₹ 3,478,460.*

Whole Time Directors are also eligible for certain perquisites such as residential premises, a car, telephone services at residence, membership of a club, furnishing for the residence, superannuation, housing and personal loan benefits, and medical benefits as per policies of the Bank. The perquisite value for all such perks is calculated at the end of the year basis availability and use.

Further, the Whole Time Directors are eligible for post retiral benefits such as car and medical as approved by the RBI.

In addition to the above, Aditya Puri is exclusively entitled to a lumpsum payment of ₹ 35,000,000 on retirement, medical facility of reimbursement of expenses on actuals for self and spouse with an overall limit of ₹ 2,000,000 per annum, and company car as per entitlement during superannuation without a facility for change of car, monthly petrol or driver's salary. This has also been approved by RBI.

The stock options granted to Aditya Puri, Paresh Sukthankar and Kaizad Bharucha have not been issued at discount and the same have been granted at the closing market price prevailing on the day prior to the date of grant on the National Stock Exchange of India Limited. The Bank follows a method of conditional vesting, i..e vesting of each tranche is subject to performance. The vesting schedule for the stock options is - 40% of options after expiry of fifteen months from date of grant, 30% options after expiry of twenty seven months from date of grant and the balance options after expiry of thirty nine months from date of grant, subject to performance. The options so vested are to be exercised within four years from the respective dates of vesting.

Fiscal Year 2017:

Name of the Director	Basic (₹)	Allowances and perquisites (₹)	Provident fund (₹)	Superannuation (₹)	Performance bonus (₹)	Stock options granted
Aditya Puri	39,415,680	21,498,854	4,729,884	5,912,352	29,015,377*	Nil
Paresh	21,928,752	15,658,142	2,631,456	3,289,313	17,300,777**	Nil

Name of the Director	Basic (₹)	Allowances and perquisites (₹)	Provident fund (₹)	Superannuation (₹)	Performance bonus (₹)	Stock options granted
Sukthankar						
Kaizad Bharucha	14,700,000	17,375,182	1,764,000	2,205,000	10,566,653***	Nil

** Includes bonus of ₹ 21,896,522 pertaining to Fiscal Year 2016 paid out in Fiscal Year 2017 and deferred bonus tranches of earlier financial years amounting to ₹ 7,118,855*
*** Includes bonus of ₹ 13,055,031 pertaining to Fiscal Year 2016 paid out in Fiscal Year 2017 and deferred bonus tranches of earlier financial years amounting to ₹ 4,245,746*
**** Includes bonus of ₹ 9,112,740 pertaining to Fiscal Year 2016 paid out in Fiscal Year 2017 and deferred bonus tranches of earlier financial years amounting to ₹ 1,453,913*

Fiscal Year 2016:

Name of the Director	Basic (₹)	Allowances and perquisites (₹)	Provident fund (₹)	Superannuation (₹)	Performance bonus (₹)	Stock options granted #
Aditya Puri	32,846,400	30,434,539	3,941,568	4,926,960	25,154,778*	639,000
Paresh Sukthankar	18,273,960	13,251,279	2,192,880	2,741,094	15,000,411**	390,000
Kaizad Bharucha	10,500,000	14,733,614	1,260,000	1,575,000	6,542,610***	335,000

** Includes bonus of ₹ 19,650,725 pertaining to Fiscal Year 2015 paid out in Fiscal Year 2016 and deferred bonus tranches of earlier financial years amounting to ₹ 5,504,053*
*** Includes bonus of ₹ 11,716,054 pertaining to Fiscal Year 2015 paid out in Fiscal Year 2016 and deferred bonus tranches of earlier financial years amounting to ₹ 3,284,357*
**** Includes bonus of ₹ 6,542,610 pertaining to Fiscal Year 2015 paid out in Fiscal Year 2016.*

 # The stock options granted to Aditya Puri, Paresh Sukthankar and Kaizad Bharucha have not been issued at discount and the same have been granted at the closing market price prevailing on the day prior to the date of grant on the National Stock Exchange of India Limited. The vesting schedule for the stock options is - 40% of options after expiry of one year from date of grant, 30% options after expiry of two years from date of grant and the balance options after expiry of three years from date of grant. The options so vested are to be exercised within four years from the respective dates of vesting.

Key Managerial Personnel

The following table sets forth details regarding our key managerial personnel as of the date of this Preliminary Placement Document:

Sr. No.	Name	Age (years)	Designation
1.	Aditya Puri	67	Managing Director
2.	Paresh Sukthankar	55	Deputy Managing Director
3.	Kaizad Bharucha	53	Executive Director
4.	Sashidhar Jagdishan	53	Chief Financial Officer
5.	Santosh Haldankar	46	Vice President (Legal) & Company Secretary

Senior Management

The following table sets forth details regarding our senior management (other than key managerial personnel) as of the date of this Preliminary Placement Document:

Sr. No.	Name	Age (years)	Designation
1.	Abhay Aima	56	Group Head, Private Banking Group, Third party products, Non Resident Individuals, Digital and Offshore and Retail Liabilities
2.	Arvind Kapil	46	Group Head, Retail Assets - Unsecured
3.	Ashima Bhat	47	Group Head, Business Strategy, Finance, Administration & Infrastructure
4.	Ashish Parthasarthy	50	Group Head, Treasury
5.	Ashok Khanna	61	Group Head, Retail Assets - Secured
6.	Benjamin Frank	54	Group Head, Wholesale Credit Risk
7.	Bhavesh Zaveri	52	Group Head, Operations & IT
8.	Chakrapani	54	Group Head, Internal Audit and Quality Initiatives Group

Sr. No.	Name	Age (years)	Designation
	Venkatachari		
9.	Dhiraj Relli*	47	Managing Director- HDFC Securities Limited
10.	Jimmy Tata	51	Chief Risk Officer
11.	Munish Mittal	49	Group Head, IT
12.	Navin Puri	59	Group Head, Retail Branch Banking
13.	Neil Francisco	56	Group Head, Retail Credit, Underwriting & RIC
14.	Nirav Shah	46	Group Head, Emerging Corporate Group, Infrastructure Finance Group & Rural Banking Group
15.	Nitin Chugh	46	Group Head, Digital Banking
16.	Parag Rao	52	Group Head, Card Payment Products, Merchant Acquiring Services & Marketing
17.	Philip Mathew	55	Chief People Officer
18.	Rahul Shukla	49	Group Head, Corporate Banking and Business Banking
19.	Rajesh Kumar R	47	Group Head, Retail Credit Policy, Debt Management and Risk Analytics
20.	Rakesh K. Singh	49	Group Head, Investment Banking, Private Banking, Capital & Commodity Markets
21.	Ravi Narayanan	49	Group Head, Retail Trade & Forex and Regional Branch Banking Head West 2
22.	Smita Bhagat	52	Group Head for Retail Branch Banking Head- West 1 and Head of Government & Institutional Business/E-commerce Units

*** Currently, on deputation to HDFC Securities Limited, a Subsidiary.***

Biographies of the key managerial personnel

1. **Aditya Puri –** For details, see " - Biographies of the Directors" on page 162.

2. **Paresh Sukthankar** - For details, see " - Biographies of the Directors" on page 162.

3. **Kaizad Bharucha** - For details, see " - Biographies of the Directors" on page 162.

4. **Sashidhar Jagdishan** is the Chief Finance Officer of the Bank. He holds a bachelor's degree in science (physics) from the University of Mumbai and a master's degree in economics of money, banking and finance from Sheffield University, United Kingdom. He is also a chartered accountant enrolled with the ICAI. He has been with the Bank since 1996.

5. **Santosh Haldankar** is the Vice President (Legal) and Company Secretary of the Bank. He is a commerce graduate and an associate member of ICSI. He holds a bachelor's degree in law. He has 25 years of experience in legal and secretarial functions. Prior to joining the Bank, he was the erstwhile company secretary and whole-time director of HDFC Securities Limited, the Bank's subsidiary and had been associated with HDFC Securities Limited for 13 years. He has been elevated to the post of Company Secretary with effect from June 1, 2018, pursuant to the retirement of the earlier Company Secretary, Sanjay Dongre.

Biographies of Senior Management (other than Key Managerial Personnel)

Abhay Aima is the Bank's Group Head for Private Banking Group, Third party products, Non Resident Individuals, Digital and Offshore and Retail Liabilities. He also serves as a director of Raab Investment Private Limited, HDFC Securities Limited and Bluechip Corporate Investment Centre Limited.

Arvind Kapil is the Group Head for Retail Assets - Unsecured Loans business of the Bank. He holds a masters in Advanced Master's Program in Management of Global Enterprises (from UCLA Anderson School of Management, Los Angeles, USA. SDA Bocconi School of Management, Milan. City University of Hong Kong, Hong Kong and Indian Institute of Management Bangalore). He also holds a master's degree in Management Studies from the Bharati Vidyapeeth Institute of Management Studies and Research and a bachelor's degree in Engineering from the K.J. Somaiya College of Engineering, Mumbai. He has 20 years of experience in various Retail Lending and Liability products covering Retail Assets, SME and Branch Banking.

Ashima Bhat is the Group Head for the Business Finance, BIU, Personnel Administration, Infrastructure and Administration functions for the Bank. She has over 24 years of experience in banking and related areas and joined the Bank at a start-up stage. She has worked in various positions across the Corporate Banking, Supply Chain, SME and Emerging Corporates Group of the Bank.

Ashish Parthasarthy is the Group Head for Treasury for the Bank. He holds a bachelor's degree in engineering from the Karnataka Regional Engineering College and has a post-graduate diploma in management from the Indian Institute of Management, Bangalore. He has been with the Bank since 1994.

Ashok Khanna heads the secured loans business of the Bank. He holds a master's degree in arts from the University of Jaipur. He has been with the Bank since 2002.

Benjamin Frank is the Group Head, Wholesale Credit Risk. He holds a bachelors degree in science from the University of Madras and a post graduate diploma in computer science from the Datamatics Institute of Management. He also holds a masters degree in business administration from the ICFAI University. He has been granted the designation of financial risk manager by the Global Association of Risk Professionals and is a certified associate of the Indian Institute of Bankers. He has previously worked with the State Bank of India and IDBI Bank Limited.

Bhavesh Zaveri is the Group Head for Operations and Technology and also is Head of Cash Management Product. He holds a masters degree in Commerce from the University of Mumbai and is a Certified Associate of the Indian Institute of Bankers. He has been with the Bank since 1998. He also serves as a director of The Clearing Corporation of India Ltd., Goods & Service Tax Network, HDB Financial Services Limited & SWIFT India Domestic Services Private Limited.

V Chakrapani is the Group Head position for Internal Audit and Quality Initiative Group. He holds a bachelor's degree in commerce from University of Mumbai and is an associate member of the ICSI, a Certified Associate of the Indian Institute of Bankers and a certified information system auditor. He has worked with the Bank of Baroda and Standard Chartered Bank prior to joining the Bank in 1994.

Dhiraj Relli is the managing director and chief executive officer of HDFC Securities Limited. A member of the HDFC family since 2008, he has served as Senior Executive Vice President and Head of Branch Banking (South and Central India) at HDFC Bank. Prior to this, he held various posts with ICICI Bank. He is a member of the Trading Member Advisory Committee, National Stock Exchange and member of the Advisory Committee of Bombay Stock Exchange. He holds a bachelor's degree in commerce (Honours) from the University of Delhi and is a qualified chartered accountant. He also undertook an Advance Management Program from the Indian Institute of Management, Bangalore.

Jimmy Tata is the Chief Risk Officer of the Bank. He holds a master's degree in financial management from the Jamnalal Bajaj Institute of Management Studies, University of Mumbai and is a chartered financial analyst from the Institute of Chartered Financial Analysts – Hyderabad. He has been with the Bank since 1994.

Munish Mittal is the Group Head for the Information Technology function of the Bank. He holds a bachelor's degree in science from the University of Punjab and a master's degree in business administration from Indira Gandhi National Open University. He has more than 30 years of experience in banking software and technology management. He joined the Bank from the Bank of Punjab in August 1996.

Navin Puri is the Group Head of the retail banking branch of the Bank. He holds a bachelor's degree of commerce from Calcutta University and is a member of the ICAI. He has also received a master's degree in business administration from Texas University, U.S. He has been with the Bank since February 1999.

Neil Francisco is the Group Head and Co- Head, Retail Risk of the Bank. In his current role, he heads Retail Underwriting and Risk Intelligence and Control functions in the Bank. These two functions are responsible for Underwriting and Fraud and Risk Control for Retail Lending Products and Payment Business Products, in addition to Agriculture, Dealer Funding, Commercial Vehicle, Construction Equipment, and Healthcare businesses of the Bank. Neil holds a bachelor's degree in engineering (Mechanical) from Sardar Patel College of Engineering, University of Mumbai, a master's degree in science in mechanical engineering as well as a master's degree of business administration from the University of Massachusetts, Amherst, United States.

Nirav Shah is the Group Head for the Emerging Corporates, Infrastructure Finance and Rural Banking functions of the Bank. He holds a masters degree in management studies from KJ Somaiya Management Institute, University of Mumbai.

Nitin Chugh is the Group Head for Digital Banking function for the Bank. He holds a bachelor's degree of technology from the National Institute of Technology, Kurukshetra and has a post-graduate diploma in management from All India Management Association, New Delhi. He has been with the Bank since 2001.

Parag Rao is the Group Head for Marketing and Payments business for the Bank. He holds a master's degree in management studies from S.P. Jain Institute of Management, University of Mumbai and a bachelor's degree of engineering from Regional Engineering College, Jamshedpur.

Philip Mathew is Chief People Officer of the Bank. He holds a bachelor's degree in science from the University of Madras and a postgraduate degree from the Tata Institute of Social Sciences, Mumbai, specialising in human resources. He joined the Bank in 2002 and with effect from May of 2009 held the position of the Chief People's Officer at the Bank.

Rahul Shukla has recently joined the Bank as the Group Head for Corporate Banking and Business Banking. He holds a bachelor's degree in electrical engineering from Benaras Hindu University and a post-graduate diploma in management from Indian Institute of Management, Bangalore. He has previously worked with Citi Bank.

Rajesh Kumar R is the Group Head for Retail Credit Policy, Debt Management & Risk Analytics. He holds a post graduate diploma in management from T.A.Pai Management Institute at Manipal. Since he joined the Bank in 2000, he has been involved in the launch and the growth of all retail assets & lending businesses and continues to play a key role in shaping the Bank's business strategies & risk appetite. He has pioneered the extensive usage of analytics in the Bank, across businesses & customer lifecycles, for both strategic & transactional decisions

Rakesh K. Singh is the Group Head for Investment Banking, Private Banking, Capital & Commodity Markets at the Bank. He holds a bachelor's degree in science from Ranchi University and a post graduate diploma in business management from Institute of Management Technology - Ghaziabad.

Ravi Narayanan is currently the Group Head for Retail Trade and Forex business and heads the west region for Retail Branch Banking for the Bank. He holds a masters in business administration degree from Faculty of Management Studies, Delhi University and a bachelor's degree of technology from Indian Institute of Technology, Varanasi. He joined the Bank in May 1999.

Smita Bhagat is the Group Head for Branch Banking Head - West 1 and Head of Government & Institutional Business/E-commerce Units of the Bank. She holds masters degree in business administration from Podar Institute of Management. She has over 20 years of banking experience, joining the Bank from ICICI Bank in July, 1999.

All the key management personnel and members of the senior management are permanent employees of the Bank.

Shareholding of key managerial personnel

The following table sets forth the shareholding of our key managerial personnel as of June 30, 2018:

Name	Number of Equity Shares	Percent of Total Number of Outstanding Equity Shares
Aditya Puri	3,704,544	0.14
Paresh Sukthankar	831,905	0.03
Kaizad Bharucha	980,551	0.04
Sashidhar Jagdishan	708,094	0.03
Santosh Haldankar	-	-

Shareholding of senior management

The following table sets forth the shareholding of our senior management as of June 30, 2018:

Name	Number of Equity Shares	Percent of Total Number of Outstanding Equity Shares
Abhay Aima	340,260	0.01
Arvind Kapil	1,000	Negligible
Ashima Bhat	732,000	0.03
Ashish Parthasarthy	260,561	0.01
Ashok Khanna	33,000	Negligible
Benjamin Frank	139,784	0.01
Bhavesh Zaveri	465,875	0.02
Chakrapani Venkatachari	413,115	0.02
Dhiraj Relli*	230,000	0.01
Jimmy Tata	682,400	0.03
Munish Mittal	54,500	Negligible
Navin Puri	282,000	0.01

Name	Number of Equity Shares	Percent of Total Number of Outstanding Equity Shares
Neil Francisco	77,912	Negligible
Nirav Shah	80,200	Negligible
Nitin Chugh	140,330	0.01
Parag Rao	40,000	Negligible
Philip Mathew	101,000	Negligible
Rahul Shukla	-	-
Rajesh Kumar R	182,000	0.01
Rakesh K. Singh	91,000	0.01
Ravi Narayanan	283,073	0.01
Smita Bhagat	125,707	Negligible

Interest of the key managerial personnel and senior management

As part of their investment portfolio, our Key Mangerial Personnel and Senior Management Personnel may from time to time hold securities or beneficial interests in securities of the Bank or other companies, with which the Bank has engaged or may engage in transactions, including those in the ordinary course of business. Our Key Mangerial Personnel and Senior Management Personnel may also, from time to time, avail normal banking services of the Bank.

Other than as disclosed hereinbelow, as of June 30, 2018, there were no outstanding transactions other than in the ordinary course of business undertaken by the Bank in which the Senior Management Personnel were interested parties:

1. The Bank has entered into a leave and license agreement with Arvind Kapil. The agreement is with effect from March 1, 2016 and the Bank pays a rent of ₹ 140,000 per month and has paid a deposit of ₹ 11,000,000 under this agreement.

2. The Bank has entered into a leave and license agreement with Bhavesh Zaveri. The agreement is with effect from September 1, 2017 and the Bank pays a rent of ₹ 140,000 per month and has paid a deposit of ₹ 11,000,000 under this agreement.

3. The Bank has entered into an indenture of lease with Bhavesh Zaveri. The agreement is with effect from July 26, 2016 and the Bank pays a rent of ₹ 125,000 per month and has paid a deposit of ₹ 375,000 under this agreement.

4. The Bank has entered into a leave and license agreement with Navin Puri. The agreement is with effect from May 1, 2016 and the Bank pays a rent of ₹ 140,000 per month and has paid a deposit of ₹ 11,000,000 under this agreement.

5. The Bank has entered into a leave and license agreement with Nirav Shah. The agreement is with effect from December 1, 2015 and the Bank pays a rent of ₹ 140,000 per month and has paid a deposit of ₹ 11,000,000 under this agreement.

6. The Bank has entered into a leave and license agreement with Nitin Chugh. The agreement is with effect from April 1, 2016 and the Bank pays a rent of ₹ 140,000 per month and has paid a deposit of ₹ 11,000,000 under this agreement.

None of our Directors are related to any of the Senior Management Personnel of the Bank.

Corporate governance

The Board of Directors presently consists of 11 Directors. In compliance with the requirements of the SEBI Listing Regulations, the Board of Directors consists of five independent Directors. The SEBI Listing Regulations requires every company to appoint one woman director on its Board. Shyamala Gopinath was re-appointed as the Chairperson of the Board of Directors with effect from January 2, 2018.

Policy on disclosures and internal procedure for prevention of insider trading

SEBI Insider Trading Regulations, 2015 applies to the Bank and its employees and requires the Bank to implement a code of practices and procedures for fair disclosure of unpublished price sensitive information and a code of conduct to regulate, monitor and report trading by employees and other connected persons. Accordingly, the Bank has implemented Code of Practices and Procedure for Fair Disclosure and a Code for Prevention of Insider Trading.

Committees of the Board of Directors

The Board of Directors has constituted committees, which function in accordance with the relevant provisions of the Companies Act, directions from RBI, Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the SEBI Listing Regulations. These are: (i) Audit Committee; (ii) Nomination and Remuneration Committee; (iii) Stakeholders' Relationship Committee; (iv) Risk Policy and Monitoring Committee; (v) Credit Approval Committee; (vi) Premises Committee; (vii) Fraud Monitoring Committee; (viii) Customer Service Committee; (ix) Corporate Social Responsibility Committee; (x) Review Committee for Wilful Defaulters' Identification; (xi) Review Committee for Non-Cooperative Borrowers; (xii) IT Strategy Committee; and (xiii) Digital Transactions Monitoring Committee.

The following table sets forth the members of the aforesaid committees as of the date of this Preliminary Placement Document:

Committee	Members
Audit Committee	Bobby Parikh (Chairman), Shyamala Gopinath, Partho Datta and Umesh Chandra Sarangi
Stakeholders' Relationship Committee	Umesh Chandra Sarangi (Chairman), Aditya Puri, Paresh Sukthankar and Malay Patel
Risk Policy and Monitoring Committee	Srikanth Nadhamuni (Chairman), Shyamala Gopinath,Partho Datta, Aditya Puri and Paresh Sukthankar
Credit Approval Committee	Keki Mistry (Chairman), Malay Patel, Aditya Puri and Kaizad Bharucha.
Premises Committee	Keki Mistry (Chairman), Malay Patel and Aditya Puri.
Nomination and Remuneration Committee	Bobby Parikh (Chairman), Partho Datta and Shyamala Gopinath.
Fraud Monitoring Committee	Shyamala Gopinath (Chairperson), Malay Patel, Partho Datta, Keki Mistry, Aditya Puri and Umesh Chandra Sarangi.
Customer Service Committee	Shyamala Gopinath (Chairperson), Malay Patel, Keki Mistry, Srikanth Nadhamuni and Aditya Puri.
Corporate Social Responsibility Committee	Umesh Chandra Sarangi (Chairman), Partho Datta, Bobby Paikh, Aditya Puri, Malay Patel and Paresh Sukthankar.
Review Committee for Wilful Defaulters Identification	Shyamala Gopinath (Chairperson), Aditya Puri, Bobby Parikh and Partho Datta
Review Committee for Non-Cooperative Borrowers	Shyamala Gopinath (Chairperson), Aditya Puri, Bobby Parikh and Partho Datta
IT Strategy Committee*	Srikanth Nadhamuni, Bobby Parikh, Shyamala Gopinath, Paresh Sukthankar, Bhavesh Zaveri (Group Head- Operations and IT), Munish Mittal (Group Head- IT) and Ram Bhagwat (external IT expert)
Digital Transactions Monitoring Committee	Srikanth Nadhamuni (Chairman), Malay Patel, Aditya Puri and Paresh Sukthankar

** The IT Strategy Committee is not a Board level Committee.*

Other confirmations

None of the Directors, Promoter, Key Managerial Personnel or Senior Management Personnel of the Bank have any financial or other material interest in this Issue and there is no effect of such interest in so far as it is different from the interests of other persons.

None of the Directors or Promoter or the Bank have ever been identified as willful defaulters by any bank or financial institution or consortium thereof, in accordance with the guidelines on willful defaulters issued by the RBI.

Related Party Transactions

For details in relation to the related party transactions entered by the Bank during the last three Fiscal Years, as per the requirements under Accounting Standard 18 issued by the Institute of Chartered Accountants in India read with circular dated March 29, 2003 issued by the RBI on 'Guidance on Compliance with the Accounting Standards by Banks', see the section "Financial Statements" on page 235.

PRINCIPAL SHAREHOLDERS

The following table sets forth the shareholding pattern of the Bank as on June 30, 2018:

Category (I)	Category of shareholder (II)	Nos. of shareholders (III)	No. of fully paid up equity shares held (IV)	No. of partly paid-up equity shares held (V)	Nos. of shares underlying Depository Receipts (VI)	Total Nos. shares held (VII = IV+V+VI)	Shareholding as a % of total no. of shares (Calculated as per SCRR, 1957) (VIII) As a % of (A+B+C2) *	Number of voting Rights held in each class of securities (IX) — No of voting Rights: Class X	Class Y	Total	Total as a % of (A+B+C)*	No of shares underlying outstanding convertible Securities (including warrants) (X)	Shareholding as a % assuming full conversion of convertible securities(as a % of diluted share capital) (XI) =(VII)+(X) as a % of A+B+C2	Number of Locked in shares (XII) — No. (a)	As a % of total shares held (b)	Number of shares pledged or otherwise encumbered (XIII) — No. (a)	As a % of total shares held (b)	Number of equity shares held in dematerialized form (XIV)
(A)	Promoter and Promoter Group	3	543,216,100	0	0	543,216,100	25.49	540,628,680	0	540,628,680	25.40	0	0	393211100	72.39	0	0.00	543216100
(B)	Public	525,686	1,587,953,620	0	0	1,587,953,620	74.51	1,587,953,620	0	1,587,953,620	74.60	0	0	0	0.00	0	0.00	1574137173
(C)	Non Promoter - Non Public	1	0	0	472,988,147	472,988,147	0.00	0	0	0	0.00	0	0	0	0.00	0	0.00	472988147
(C1)	Shares underlying DRs	1	0	0	472,988,147	472,988,147	0.00	0	0	0	0.00	0	0	0	0.00	0	0.00	472988147
(C2)	Shares held by Employee Trusts	0	0	0	0	0	0.00	0	0	0	0.00	0	0	0	0.00	0	0.00	0
	Total	**525,690**	**2,131,169,720**	**0**	**472,988,147**	**2,604,157,867**	**100.00**	**2,128,582,300**	**0**	**2,128,582,300**	**100.00**	0	0	**393211100**	**72.39**	**0**	**0.00**	**2590341420**

** The total number of Equity Shares, for the purpose of calculating the percentage of categories (A), (B) and (C) in the table above, excludes the Equity Shares underlying the depository receipts in accordance with the SEBI circular dated November 30, 2015. The percentage of shareholding of categories (A), (B) and (C), including the underlying depository receipts for the purpose of calculating the total number of Equity Shares, is 20.86%, 60.98% and 18.16% respectively.*

The following table sets forth the shareholding of the promoter and promoter group as at June 30, 2018:

Sr. No.	Name of the Shareholder	Total Equity Shares held: Number	Total Shareholding as a % of total no. of Equity Shares*
1	Housing Development Finance Corporation Limited	393,211,100	18.45
2	HDFC Investments Limited	150,000,000	7.04
3	HDFC Holdings Limited	5,000	0.00
	Total	543,216,100	25.49

** The total number of Equity Shares, for the purpose of calculating the percentage of Promoter and Promoter Group excludes the Equity Shares underlying the depository receipts in accordance with the SEBI circular dated November 30, 2015. The percentage of Promoter and Promoter Group shareholding, including the underlying depository receipts for the purpose of calculating the total number of Equity Shares, is 20.86%.*

The following table sets forth the public shareholding as at June 30, 2018:

	Category and Name of the shareholders (I)	No. of shareh olders (III)	No. of fully paid up equity shares held (IV)	Partly paid-up equity shares held (V)	Nos. of shares underlying Depository Receipts (VI)	Total Nos. shares held (VII = IV+V+VI)	Shareholding % calculate as per SCRR 1957 As a % of (A+B+C2) (VIII) *	Number of voting Rights held in each class of securities (IX)				No of shares underlying outstanding convertible Securities (including warrants) (X)	Total Shareholdin g as a % assuming full conversion of convertible securities(as a percentage of diluted share capital) (XI)	Number of Locked in shares (XII)		Number of shares pledged or otherwise encumbered (XIII)		Nu equi h dema f (
								No of voting Rights			Total as a % of Total voting rights *							
								Class X	Class Y	Total				No. (a)	As a % of total shares held (b)	No. (a) (Not applicable)	As a % of total shares held (b) (Not Applicable)	
1	**Institutions**																	
(a)	Mutual Funds/UTI	43	247,257,707	0	0	247,257,707	11.60	247,257,707	0	247,257,707	11.62	0	0	0	0.00	0	0.00	2
	SBI-ETF NIFTY 50	0	44,126,044	0	0	44,126,044	2.07	44,126,044	0	44,126,044	2.07	0	0	0	0.00	0	0.00	
	HDFC TRUSTEE COMPANY LTD - A/C HDFC HYBRID EQUITY FUND	0	29,297,376	0	0	29297376	1.37	29,297,376	0	29,297,376	1.38	0	0	0	0.00	0	0.00	
(b)	Venture Capital Funds	0	0	0	0	0	0.00	0	0	0	0.00	0	0	0	0.00	0	0.00	
(c)	Alternate Investment Funds	17	2,652,466	0	0	2,652,466	0.12	2,652,466	0	2,652,466	0.12	0	0	0	0.00	0	0.00	
(d)	Foreign Venture Capital Investors	0	0	0	0	0	0.00	0	0	0	0.00	0	0	0	0.00	0	0.00	
(e)	Foreign Portfolio Investors	1123	870,726,232	0	0	870,726,232	40.86	870,726,232	0	870,726,232	40.91	0	0	0	0.00	0	0.00	8
	EUROPACIFIC GROWTH FUND	0	107,036,464	0	0	107,036,464	5.02	107,036,464	0	107,036,464	5.03	0	0	0	0.00	0	0.00	1
	GOVERNMENT OF SINGAPORE	0	28,276,930	0	0	28,276,930	1.33	28,276,930	0	28,276,930	1.33	0	0	0	0.00	0	0.00	
(f)	Financial Institutions / Banks	32	3,492,943	0	0	3,492,943	0.16	3,492,943	0	3,492,943	0.16	0	0	0	0.00	0	0.00	
(g)	Insurance Companies	6	56,851,154	0	0	56,851,154	2.67	56,851,154	0	56,851,154	2.67	0	0	0	0.00	0	0.00	
	LIFE INSURANCE CORPORATION OF INDIA	0	51,535,018	0	0	51,535,018	2.42	51,535,018	0	51,535,018	2.42	0	0	0	0.00	0	0.00	
(h)	Provident Funds / Pension Funds	0	0	0	0	0	0.00	0	0	0	0.00	0	0	0	0.00	0	0.00	
(i)	Any Other (specify)																	
(i)(ii)	Qualified Foreign Investor	0	0	0	0	0	0.00	0	0	0	0.00	0	0	0	0.00	0	0.00	
	Sub Total (B)(1)	**1,221**	**1,180,980,502**	**0**	**0**	**1,180,980,502**	**55.41**	**1,180,980,502**	**0**	**1,180,980,502**	**55.48**	**0**	**0**	**0**	**0.00**	**0**	**0.00**	**1,1**
(2)	Central Government/State Government(s)/ President of India	5	3,285,660	0	0	3,285,660	0.15	3,285,660	0	3,285,660	0.15	0	0	0	0.00	0	0.00	
	Sub Total (B)(2)	**5**	**3,285,660**	**0**	**0**	**3,285,660**	**0.15**	**3,285,660**	**0**	**3,285,660**	**0.15**	**0**	**0**	**0**	**0.00**	**0**	**0.00**	
3	**Non-institutions**																	
(a-i)	Individuals -	513,379	193,415,148	0	0	193,415,148	9.08	193,415,148	0	193,415,148	9.09	0	0	0	0.00	0	0.00	1

	Category and Name of the shareholders (I)	No. of shareholders (III)	No. of fully paid up equity shares held (IV)	Partly paid-up equity shares held (V)	Nos. of shares underlying Depository Receipts (VI)	Total Nos. shares held (VII = IV+V+VI)	Shareholding % calculate as per SCRR 1957 As a % of (A+B+C2) (VIII) *	Number of voting Rights held in each class of securities (IX) — No of voting Rights — Class X	Class Y	Total	Total as a % of Total voting rights *	No of shares underlying outstanding convertible Securities (including warrants) (X)	Total Shareholding as a % assuming full conversion of convertible securities(as a percentage of diluted share capital) (XI)	Number of Locked in shares (XII) — No. (a)	As a % of total shares held (b)	Number of shares pledged or otherwise encumbered (XIII) — No. (a) (Not applicable)	As a % of total shares held (b) (Not Applicable)	Nu equi h dema f (
	shareholders holding nominal share capital up to Rs 2 Lakh																	
(a-ii)	Individual shareholders holding nominal share capital in excess of Rs. 2 Lakh	143	43,548,698	0	0	43,548,698	2.04	43,548,698	0	43,548,698	2.05	0	0	0	0.00	0	0.00	
(b)	NBFCs registered with RBI	42	1,242,399	0	0	1,242,399	0.06	1,242,399	0	1,242,399	0.06	0	0	0	0.00	0	0.00	
(c)	Employee Trusts	0	0	0	0	0	0.00	0	0	0	0.00	0	0	0	0.00	0	0.00	
(d)	Overseas Depositories (holding DRs)(balancing figure)	0	0	0	0	0	0.00	0	0	0	0.00	0	0	0	0.00	0	0.00	
(e)	Any Other (specify)	10,896	165,481,213	0	0	165,481,213	7.76	165,481,213	0	165,481,213	7.77	0	0	0	0.00	0	0.00	1
(i)	NRI Rept	2,791	2,071,383	0	0	2,071,383	0.10	2,071,383	0	2,071,383	0.10	0	0	0	0.00	0	0.00	
(ii)	NRI Non -Rept	4,137	8,504,862	0	0	8,504,862	0.40	8,504,862	0	8,504,862	0.40	0	0	0	0.00	0	0.00	
(iii)	Trusts	99	10,857,873	0	0	10,857,873	0.51	10,857,873	0	10,857,873	0.51	0	0	0	0.00	0	0.00	
(iv)	OCB	1	270	0	0	270	0.00	270	0	270	0.00	0	0	0	0.00	0	0.00	
(v)	Foreign National	6	2,088	0	0	2,088	0.00	2,088	0	2,088	0.00	0	0	0	0.00	0	0.00	
(vi)	Foreign Bodies	0	0	0	0	0	0.00	0	0	0	0.00	0	0	0	0.00	0	0.00	
(vii)	Clearing Member	306	10,513,676	0	0	10,513,676	0.49	10,513,676	0	10,513,676	0.49	0	0	0	0.00	0	0.00	
(viii)	Bodies Corporate	3,554	130,377,337	0	0	130,377,337	6.12	130,377,337	0	130,377,337	6.13	0	0	0	0.00	0	0.00	1
	ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED	0	29,959,674	0	0	29,959,674	1.41	29,959,674	0	29,959,674	1.41	0	0	0	0.00	0	0.00	
(ix)	Unclaimed/Escrow Account	1	391,500	0	0	391,500	0.02	391,500	0	391,500	0.02	0	0	0	0.00	0	0.00	
(x)	Any Other	1	2,762,224	0	0	2,762,224	0.13	2,762,224	0	2,762,224	0.13	0	0	0	0.00	0	0.00	
	Sub Total (B)(3)	**524,460**	**403,687,458**	**0**	**0**	**403,687,458**	**18.94**	**403,687,458**	**0**	**403,687,458**	**18.97**	**0**	**0**	**0**	**0.00**	**0**	**0.00**	**3**
	Total Public Shareholding (B)=(B)(1)+(B)(2)+(B)(3)	**525,686**	**1,587,953,620**	**0**	**0**	**1,587,953,620**	**74.51**	**1,587,953,620**	**0**	**1,587,953,620**	**74.60**	**0**	**0**	**0**	**0.00**	**0**	**0.00**	**1,5**

** The total number of Equity Shares, for the purpose of calculating the percentage shareholding, excludes the Equity Shares underlying the depository receipts in accordance with the SEBI circular dated November 30, 2015.*

The following table sets forth the statement showing shareholding pattern of non-promoter non-public shareholders as at June 30, 2018:

	Category and Name of the shareholders (I)	No. of shareholders (III)	No. of fully paid up equity shares held (IV)	Partly paid-up equity shares held (V)	Nos. of shares underlying Depository Receipts (VI)	Total Nos. shares held (VII = IV+V+VI)	Shareholding % calculate as per SCRR 1957 As a % of (A+B+C2) * (VIII)	Number of voting Rights held in each class of securities (IX)				No of shares underlying outstanding convertible Securities (including warrants) (X)	Total Shareholding as a % assuming full conversion of convertible securities(as a percentage of diluted share capital) (XI)	Number of Locked in shares (XII)		Number of shares pledged or otherwise encumbered (XIII)		Number of equity shares held in dematerializ ed form (XIV)
								No of voting Rights			Total as a % of Total voting rights *							
								Class X	Class Y	Total				No. (a)	As a % of total shares held (b)	No. (a) (Not Applicable)	As a % of total shares held (b) (Not Applicable)	
(C1)	Custodian/ DR Holder	1	0	0	472,988,147	472,988,147	22.19	0	0	0	0.00	0	0	0	0.00	0	0.00	472,988,147
	JP MORGAN CHASE BANK, NA	0	0	0	472,988,147	472,988,147	22.19	0	0	0	0.00	0	0	0	0.00	0	0.00	472,988,147
(C2)	Employee Benefit Trust (under SEBI (Share Based Employee Benefit) Regulations, 2014)	0	0	0	0	0	0.00	0	0	0	0.00	0	0	0	0.00	0	0.00	0
	Total Non-Promoter-Non Public Shareholding (C) = (C)(1)+(C)(2)	**1**	**0**	**0**	**472,988,147**	**472,988,147**	**22.19**	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0.00**	**0**	**0.00**	**472,988,147**

** The total number of Equity Shares, for the purpose of calculating the percentage shareholding, excludes the Equity Shares underlying the depository receipts in accordance with the SEBI circular dated November 30, 2015.*

Details of disclosure made by the trading members holding 1% or more of the total number of Equity Shares of the Bank: NIL

ISSUE PROCEDURE

The following is a summary intended to present a general outline of the procedure relating to the application, payment, Allocation and Allotment of the Equity Shares to be issued pursuant to the Issue. The procedure followed in the Issue may differ from the one mentioned below, and investors are presumed to have apprised themselves of the same from the Bank or the Lead Managers. Investors that apply in the Issue will be required to confirm and will be deemed to have represented to the Bank, the Lead Managers and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. The Bank and the Lead Managers and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares. Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. See the sections "Selling Restrictions" and "Transfer Restrictions" on pages 190 and 200, respectively.

Qualified Institutions Placement

This Issue is being made only to Eligible QIBs and the Equity Shares in this Issue will not in anycircumstance be offered to persons in any jurisdiction outside India.

The Issue is being made to Eligible QIBs in reliance upon Chapter VIII of the SEBI ICDR Regulations and Section 42 and Section 62 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Shares) Rules, 2014, through the mechanism of a QIP. Under Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013, a a listed issuer in India may issue equity shares to Eligible QIBs on a private placement basis, provided that, among others:

- the shareholders of the issuer have passed a special resolution approving such QIP. Such special resolution must specify (a) that the allotment of securities is proposed to be made pursuant to the QIP; and (b) the relevant date;
- equity shares of the same class of such issuer, which are proposed to be allotted through the QIP, have been listed on a recognised stock exchange in India having nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the above-mentioned special resolution;
- the aggregate of the proposed issue and all previous qualified institutions placements made by the issuer in the same financial year does not exceed five times the net worth (as defined in the SEBI ICDR Regulations) of the issuer as per the audited balance sheet of the previous financial year;
- the issuer shall have completed allotments with respect to any offer or invitation made by the issuer or shall have withdrawn or abandoned any invitation or offer made by the issuer;
- the offer must be made through a private placement offer letter and an application form serially numbered and addressed specifically to the eligible QIB to whom the offer is made and is sent to such eligible QIBs within 30 days of recording the names of such eligible QIBs;
- the explanatory statement to the notice to the shareholders for convening the general meeting must disclose the basis or justification for the price (including premium, if any) at which the offer or invitation is being made;
- prior to circulating the private placement offer letter, the issuer must prepare and record a list of eligible QIBs to whom the offer will be made. The offer must be made only to such persons whose names are recorded by the issuer prior to the invitation to subscribe;
- the issuer shall offer to each Allottee at least such number of the securities in the issue which would aggregate to ₹ 20,000 calculated at the face value of the securities.
- At least 10.00% of the equity shares issued to Eligible QIBs must be allotted to Mutual Funds, provided that, if this portion, or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be allotted to other Eligible QIBs.

Bidders are not allowed to withdraw their Bids after the Bid/Issue Closing Date

Additionally, there is a minimum pricing requirement for pricing the equity shares offered in a QIP under the SEBI ICDR Regulations. The floor price of the equity shares issued under the QIP shall not be less than the average of the weekly high and low of the closing prices of the issuer's equity shares of the same class quoted on the stock exchange during the two weeks preceding the relevant date as calculated in accordance with chapter VIII of the SEBI ICDR Regulations. However, an issuer may offer a discount of not more than 5.00% of the floor price, subject to the approval of the shareholders by a special resolution pursuant to Regulation 82(a) of the SEBI ICDR Regulations.

The "relevant date" in case of allotment of equity shares, refers to the date of the meeting in which the board of directors or the committee of directors duly authorised by the board of the issuer decides to open the proposed issue. And "stock exchange" means any of the recognised stock exchanges in India on which the equity shares of the issuer of the same class are listed and on which the highest trading volume in such shares has been recorded during the two weeks immediately preceding the relevant date.

Securities must be allotted within 12 months from the date of the shareholders' resolution approving the QIP and also within 60 days from the date of receipt of subscription money from the relevant Eligible QIBs.

The Equity Shares issued pursuant to the QIP must be issued on the basis of a placement document that shall contain all material information including the information specified in Schedule XVIII of the SEBI ICDR Regulations and the requirements prescribed under Form PAS-4. This Preliminary Placement Document and the Placement Document shall be private documents provided to only select investors through serially numbered copies and are required to be placed on the website of the concerned Stock Exchanges and of the Bank with a disclaimer to the effect that it is in connection with an issue to Eligible QIBs and no offer is being made to the public or to any other category of investors.

The minimum number of allottees for each QIP shall not be less than:

- two, where the issue size is less than or equal to ₹ 2,500 million; and
- five, where the issue size is greater than ₹ 2,500 million.

No single allottee shall be allotted more than 50.00% of the issue size. Eligible QIBs that belong to the same group or that are under the same control shall be deemed to be a single allottee, for this purpose. For details of what constitutes "same group" or "common control", see "—Application Process—Application Form" on page 182.

In terms of Regulation 89 of the SEBI ICDR Regulations, the aggregate of the proposed QIP and all previous QIPs made in the same financial year shall not exceed five times the net worth of the issuer as per its audited balance sheet of the previous financial year. The issuer shall furnish a copy of the preliminary placement document and the placement document to each stock exchange on which its equity shares are listed.

We shall also make the requisite filings with the RoC and SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

The Bank has received the in-principle approval of the Stock Exchanges on July 27, 2018, in terms of Regulation 28(1) of the SEBI Listing Regulations for the Issue. We have filed a copy of this Preliminary Placement Document and will file a copy of the Placement Document with the Stock Exchanges. The Board of Directors has authorised the Issue pursuant to a resolution passed at its meeting held on December 20, 2017. The shareholders of the Bank have authorised the Issue pursuant to a special resolution passed at an extra-ordinary general meeting held on January 19, 2018.

Securities allotted to an Eligible QIB pursuant to the Issue shall not be sold for a period of one year from the date of allotment except on the floor of a recognised stock exchange in India. Allotments made to VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any state or other jurisdiction in the United States. Accordingly, the Equity Shares are being offered and sold only outside the United States, in offshore transactions, in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. For further information, see the sections "*Selling Restrictions*" and "*Transfer Restrictions*" beginning on pages 190 and 200, respectively.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Issue Procedure

1. The Bank and the Lead Managers shall circulate serially numbered copies of this Preliminary Placement Document and the serially numbered Application Form, either in electronic or physical form to Eligible QIBs and the Application Form will be specifically addressed to such Eligible QIBs. In terms of Section 42(7) of the Companies Act, 2013, the Bank shall maintain complete records of Eligible QIBs to whom the Preliminary Placement Document and the serially numbered Application Form have been dispatched. The Bank will make the requisite filings with RoC and SEBI within the stipulated time period as required under the Companies Act, 2013 and the rules made thereunder.

2. **Unless a serially numbered Preliminary Placement Document along with the serially numbered Application Form is addressed to a particular Eligible QIB, no invitation to subscribe shall be deemed to have been made to such Eligible QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid.

3. Eligible QIBs may submit an Application Form, including any revisions thereof, during the Bid Period to the Lead Managers.

4. Eligible QIBs will be, *inter alia*, required to indicate the following in the Application Form:

   - name of the Eligible QIB to whom Equity Shares are to be Allotted;
   - number of Equity Shares Bid for;
   - price at which they are agreeable to subscribe for the Equity Shares, provided that Eligible QIBs may also indicate that they are agreeable to submit a Bid at "Cut-off Price"; which shall be any price as may be determined by the Bank in consultation with the Lead Managers at or above the Floor Price or the Floor Price net of such discount as approved in accordance with SEBI ICDR Regulations; the Bank may offer a discount of not more than 5% to the Floor Price in accordance with the proviso of Regulation 85(1) of the SEBI ICDR Regulations;
   - details of the depository account to which the Equity Shares should be credited; and
   - a representation that it is either (i) outside the United States, or (ii) it has agreed to certain other representations set forth in the Application Form.

5. Once a duly completed Application Form is submitted by an Eligible QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Bid/Issue Closing Date. The Bid/Issue Closing Date shall be notified to the Stock Exchanges and Eligible QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

6. The Bids made by asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made. Application by various schemes or funds of a Mutual Fund will be treated as one application from the Mutual Fund. Under the current regulations, the following restrictions are applicable for investments by Mutual Funds: No mutual fund scheme shall invest more than 10% of its net asset value in Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.

7. Upon receipt of the Application Form, after the Bid/Issue Closing Date, the Bank shall determine the final terms, including identifying the Elgible QIBs to whom the Equity Shares are to be Allotted, the Issue Price of the Equity Shares to be issued pursuant to the Issue and the number of Equity Shares to be issued, in consultation with the Lead Managers. The Bank shall intimate the Stock Exchanges with respect to the meeting of the Board of Directors or a duly authorised committee thereof, to decide the Issue Price, atleast two working days in advance. Upon determination of the final terms of the Equity Shares, the Lead Managers will send the serially numbered CAN along with the Placement Document to Eligible QIBs who have been Allocated the Equity Shares.

8. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Eligible QIB to pay the entire Issue Price for all the Equity Shares Allocated to such Eligible QIB. The CAN shall contain details such as the number of Equity Shares Allocated to the Eligible QIB and payment instructions including the details of the amounts payable by the Eligible QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective Eligible QIB.

   Please note that the Allocation will be at the absolute discretion of the Bank and will be based on the recommendation of the Lead Managers.

9. Pursuant to receiving a CAN, each Eligible QIB shall be required to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price, only through electronic transfer to our designated bank account by the Pay-In Date as specified in the CAN sent to the respective Eligible QIBs. No payment shall be made by Eligible QIBs in cash. Please note that any payment of application money for the Equity Shares shall be made from the bank accounts of the relevant Eligible QIBs applying for the Equity Shares and the Bank shall keep a record of the bank account from where such payment for subscriptions have been received. Monies payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application. Pending Allotment, all monies received for subscription of the Equity Shares shall be kept by the Bank in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013.

10. Upon receipt of the application monies from the Eligible QIBs, the Bank shall Allot Equity Shares as per the details in the CAN sent to the Eligible QIBs. The Bank will intimate the details of the Allotment to the Stock Exchanges.

11. After passing the resolution for Allotment and prior to crediting the Equity Shares into the depository participant accounts of the successful Bidders, the Bank shall apply to the Stock Exchanges for listing approvals. The Bank will intimate to the Stock Exchanges the details of the Allotment and apply for approvals for listing of the Equity Shares on the Stock Exchanges prior to crediting the Equity Shares into the beneficiary account maintained with the Depository Participant by the Eligible QIBs.

12. After receipt of the listing approvals of the Stock Exchanges, the Bank shall credit the Equity Shares Allotted pursuant to this Issue into the Depository Participant accounts of the respective Allottees.

13. The Bank will then apply for the final trading approval and listing permission from the Stock Exchanges.

14. The Equity Shares that would have been credited to the beneficiary account with the Depository Participant of the Eligible QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.

15. Upon receipt of intimation of final listing and trading approval from the Stock Exchanges, the Bank shall inform the Allottees of the receipt of such approval.

16. The Bank and the Lead Managers shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Final listing and trading approvals granted by the Stock Exchanges are also placed on their respective websites. Eligible QIBs are advised to apprise themselves of the status of the receipt of the permissions, from the Stock Exchanges or the Bank.

Eligible QIBs

Only Eligible QIBs who have not been prohibited by the SEBI from buying, selling or dealing in securities can participate in this Issue. Under Regulation 86(1)(b) of the SEBI ICDR Regulations, no Allotment shall be made, either directly or indirectly, to any QIB who is a Promoter or any person related to the Promoters. Currently QIBs include:

- AIFs registered with SEBI;
- A foreign portfolio investor other than Category III foreign portfolio investor, registered with SEBI;
- VCFs registered with SEBI;
- FVCI;
- Insurance companies registered with Insurance Regulatory and Development Authority;
- Insurance funds set up and managed by the army, navy, or air force of the Union of India;
- Insurance funds set up and managed by the Department of Posts, India;
- Mutual funds registered with SEBI;
- Pension Funds with minimum corpus of ₹ 250 million;
- Provident Funds with minimum corpus of ₹ 250 million;
- Public financial institutions as defined in section 2(72) of the Companies Act, 2013;
- Scheduled commercial banks;
- State industrial development corporations;
- National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India; and
- Systemically important non- banking financial companies, registered with the RBI, having a net-worth of more than ₹ 5,000 million as per the last audited financial statements.

This Issue is being made only to Eligible QIBs and the Equity Shares in this Issue are not, in any circumstance, being offered, and will not be allotted, to persons in any jurisdiction outside India.

AIFs that are owned or controlled by Non-Resident investors and Non-Resident investors, including FPIs, FVCIs, multilateral and bilateral financial institutions and any other QIB that is a Non-Resident and/or owned or controlled by Non-Residents/ persons resident outside India, as defined under FEMA, except as specifically set forth below, are not eligible to participate in this Issue. Any application received from such category of investor(s) or application wherein a foreign address is provided by the depositories would be rejected.

Restriction on Allotment

Pursuant to Regulation 86(1)(b) of the SEBI ICDR Regulations, no Allotment shall be made pursuant to the Issue, either directly or indirectly, to any Eligible QIB being, or any person related to, the promoter. Eligible QIBs which have all or any of the following rights shall be deemed to be persons related to the promoter:

- rights under a shareholders' agreement or voting agreement entered into with the promoter or persons related to the promoter;
- veto rights; or

- a right to appoint any nominee director on the Board,

Provided, however, that an Eligible QIB which does not hold any shares in us and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to the promoter.

Neither the Bank nor the Lead Managers are liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. Eligible QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. Eligible QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, Eligible QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the Takeover Regulations. QIBs are advised that they shall be solely responsible for compliance with the Takeover Regulations and the SEBI Insider Trading Regulations.

A minimum of 10.00% of the Equity Shares offered in the Issue shall be Allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be Allotted to other Eligible QIBs.

No person holding shares in a banking company shall, in respect of any shares held by him, exercise voting rights on poll in excess of 15.00% of the total voting rights of all the shareholders of the banking company.

Note: Affiliates or associates of the Book Running Lead Managers who are QIBs may participate in the Issue subject to compliance with applicable laws.

Application Process

Application Form

Eligible QIBs shall only use the serially numbered Application Forms (which are addressed to them) supplied by the Lead Managers in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of this Preliminary Placement Document.

By making a Bid (including the revision thereof) for Equity Shares through Application Forms and pursuant to the terms of this Preliminary Placement Document, the Eligible QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under the sections "Notice to Investors", "Representations by Investors", "Selling Restrictions" and "Transfer Restrictions" on pages 1, 3, 190 and 200:

1. Each Eligible QIB confirms that it is a QIB in terms of Regulation 2(1)(zd) of the SEBI ICDR Regulations and is not excluded under Regulation 86 of the SEBI ICDR Regulations, has a valid and existing registration under the applicable laws in India (as applicable) and is eligible to participate in this Issue;

2. Each Eligible QIB confirms that it is not a promoter and is not a person related to the promoter, either directly or indirectly and its Application Form does not directly or indirectly represent the promoter or promoter group or persons related to the promoter;

3. Each Eligible QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the promoter or persons related to the promoter, no veto rights or right to appoint any nominee director on the Board other than those acquired in the capacity of a lender, not holding any Equity Shares, which shall not be deemed to be a person related to the promoter;

4. Each Eligible QIB acknowledges that it no right to withdraw its Bid after the Bid/Issue Closing Date;

5. Each Eligible QIB confirms that if Equity Shares are Allotted through this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the Stock Exchanges;

6. Each Eligible QIB confirms that the Eligible QIB is eligible to Bid and hold Equity Shares so Allotted and together with any Equity Shares held by the QIB prior to the Issue. Each Eligible QIB further confirms that the holding of the Eligible QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the Eligible QIB;

7. Each Eligible QIB confirms that its Bids would not eventually result in triggering a tender offer under the Takeover Regulations;

8. Each Eligible QIB confirms that to the best of its knowledge and belief together with other Eligible QIBs in the Issue that belongs to the same group or are under same control, the Allotment to the Eligible QIB shall not exceed 50.00% of the Issue Size. For the purposes of this statement:

   (a) The expression "belongs to the same group" shall derive meaning from the concept of "companies under the same group" as provided in sub-section (11) of Section 372 of the Companies Act, 1956;

   (b) "Control" shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Regulations.

9. Each Eligible QIB confirms that it shall not undertake any trade in the Equity Shares credited to its beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

10. Each Eligible QIB acknowledges, represents and agrees that its total interest in the paid-up share capital of the Bank or voting rights in the Bank, whether direct or indirect, beneficial or otherwise (any such interest, your "**Holding**"), when aggregated together with any existing Holding and/or Holding of any of its "relatives" or "associated enterprises" or person acting in concert, does not exceed 5.00% of the total paid-up share capital of, or voting rights in, the Bank, a disclosure of the aggregate shareholding and voting rights will have to be made under the Takeover Regulations. In case such QIB is an existing shareholder who, together with persons acting in concert, holds 5% or more of the underlying paid up share capital of, or voting rights in the Bank a disclosure will have to be made under the Takeover Regulations in the event of a change of 2% or more in the existing Holding of the QIB and persons acting in concert. Except in case such Eligible QIB is an existing shareholder who already holds 5.00% or more of the underlying paid up share capital of, or voting rights in, the Bank pursuant to the acknowledgment or approval of the RBI, its Holding after allotment shall not exceed your existing Holding without the previous approval of the RBI.

11. You are aware that in accordance with Section 12B of the Banking Regulation Act, 1949 read with the Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, dated November 19, 2015, no person (along with his relatives, associate enterprises or persons acting in concert with you) can acquire or hold 5% or more of the total paid-up share capital of the Bank, or be entitled to exercise 5% or more of the total voting rights of the Bank, without prior approval of the RBI. Accordingly, you hereby represent that your (direct or indirect) aggregate holding in the paid-up share capital of the Bank, whether beneficial or otherwise:

   (a) after subscription to the Equity Shares in the Issue by you, your relatives, your associate enterprises or persons acting in concert with you, aggregated with any pre-Issue shareholding in the Bank of you, your relatives, your associate enterprises or persons acting in concert; or

   (b) after subscription to the Equity Shares in the Issue by you aggregated with any pre-Issue shareholding in the Bank of you, your relatives, your associate enterprises or persons acting in concert.

   shall not amount to 5% or more of the total paid-up share capital of the Bank or would not entitle you to exercise 5% or more of the total voting rights of the Bank, except with the prior approval of the RBI.

12. Each Eligible QIB acknowledges that, as required in terms of the RBI circular dated April 21, 2016, the Bank shall report to the RBI, upon completion of the Allotment process, complete details of the issue including date of the issue, details of the type of issue, issue size, details of pricing, name and number of the allottees, post allotment shareholding position.

ELIGIBLE QIBS MUST PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, PAN, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER, AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM.

ELIGIBLE QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD.

IF SO REQUIRED BY THE LEAD MANAGERS, THE ELIGIBLE QIBS SUBMITTING A BID, ALONG WITH THE APPLICATION FORM, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENTS(S) TO THE LEAD MANAGERS TO EVIDENCE THEIR STATUS AS AN "ELIGIBLE QIB" AS DEFINED HEREINABOVE.

IF SO REQUIRED BY THE LEAD MANAGERS, THE ESCROW AGENT OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INLCUDING AFTER BID/ISSUE CLOSING DATE, THE QIB SUBMITTING A BID AND/OR BEING ALLOTTED EQUITY SHARES IN THE ISSUE, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO FULFILL THE KNOW YOUR CUSTOMER (KYC) NORMS.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by an Eligible QIB shall be deemed a valid, binding and irrevocable offer for the Eligible QIB to pay the entire Issue Price for the Equity Shares (as indicated by the CAN) and becomes a binding contract on the Eligible QIB upon issuance of the CAN by us in favour of the Eligible QIB.

Submission of Application Form

All Application Forms must be duly completed with information including the name of the Eligible QIB and the number of Equity Shares applied for. The Application Form shall be submitted to the Lead Managers either through electronic form or through physical delivery at the following address:

Name of the Lead Manager	Address	Contact Person	Email	Phone (Telephone and Fax)
DSP Merrill Lynch Limited	Ground Floor, A Wing, One BKC, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051	Gautam Dhaliwal	gautam.dhaliwal@baml.com	Telephone: +91 22 6632 8000 Facsimile: +91 22 6776 2343
Credit Suisse Securities (India) Private Limited	Ceejay House, 9th Floor, Dr. Annie Besant Road, Worli Mumbai 400 018	Vinu Krishnan	list.hdfcbankqip2018@credit-suisse.com	Telephone: +91 22 6777 3885 Facsimile: +91 22 6777 3820
J. P. Morgan India Private Limited	J. P. Morgan Tower, Kalina, Off C. S. T. Road, Santacruz (East), Mumbai 400 098	Saarthak Soni	hdfcbank-qip2018@jpmorgan.com	Telephone: +91 22 6157 3777 Facsimile: +91 22 6157 3911
Morgan Stanley India Company Private Limited	18F, Tower 2, One Indiabulls Centre, 841, Senapati Bapat Marg; Mumbai 400 013	Rahul Jain	qip_hdfcbank@morganstanley.com	Telephone: +91 22 6118 1000 Facsimile: +91 22 6118 1031
Edelweiss Financial Services Limited	14th Floor, Edelweiss House Off. C.S.T Road, Kalina Mumbai 400 098, Maharashtra, India	Viral H. Shah /Pradeep Tewani	hdfcbank.qip@edelweissfin.com	Telephone: +91 22 4009 4400 Facsimile: +91 22 4086 3610
IIFL Holdings Limited	IIFL Holdings Limited, 10th Floor, Kamala City, Senapati Bapat Marg, Lower Parel (West), Mumbai 400	Pinak Bhattacharyya /Aditya Agarwal	hdfcbank.qip@iiflcap.com	Telephone: +91 22 4646 4600 Facsimile: +91 22 2493 1073

Name of the Lead Manager	Address	Contact Person	Email	Phone (Telephone and Fax)
	013, Maharashtra, India			
JM Financial Limited	7th Floor,Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai-400 025	Hiren Raipancholia	hdfcbank.qip2018@jmfl.com	Telephone: +91 22 66303030 Facsimile: +91 22 66303330
Motilal Oswal Investment Advisors Limited	Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai 400 025	Subodh Mallya/ Kristina Dias	zenith@motilaloswal.com	Telephone: +91 22 3846 4380 Facsimile: +91 22 3846 4315

The Lead Managers shall not be required to provide any written acknowledgement of the same.

Permanent Account Number or PAN

Each Eligible QIB should mention its PAN allotted under the IT Act in the Application Form. The copy of the PAN Card is required to be submitted with the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. Eligible QIBs should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Pricing and Allocation

Build up of the Book

Eligible QIBs shall submit their Bids (including the revision of bids) through the Application Form within the Bid Period to the Lead Managers and cannot be withdrawn after the Bid/Issue Closing Date. The book shall be maintained by the Lead Managers.

Price Discovery and Allocation

The Bank, in consultation with the Lead Managers, shall determine the Issue Price, which shall be at or above the Floor Price. The Bank may offer a discount of not more than 5.00% on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations.

After finalisation of the Issue Price, the Bank shall update this Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Method of Allocation

The Bank shall determine the Allocation in consultation with the Lead Managers on a discretionary basis and in compliance with Chapter VIII of the SEBI ICDR Regulations.

Application Forms received from the Eligible QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such Eligible QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10.00% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF THE BANK IN CONSULTATION WITH THE LEAD MANAGERS IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL ELIGIBLE QIBS. ELIGIBLE QIBS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF THE BANK AND ELIGIBLE QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE

PRICE. NEITHER THE BANK NOR THE LEAD MANAGERS ARE OBLIGED TO ASSIGN ANY REASON FOR ANY SUCH NON-ALLOCATION.

All Application Forms duly completed along with payment and a copy of the PAN card or PAN allotment letter shall be submitted to the Lead Managers as per the details provided in the respective CAN.

CAN

Based on the Application Forms received, we, in consultation with the Lead Managers, in their sole and absolute discretion, decide the Eligible QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the amounts payable for Allotment of such Equity Shares in their respective names shall be notified to such Eligible QIBs. Additionally, a CAN will include will include details of the relevant Escrow Account into which such payments would need to be made, address where the application money needs to be sent, Pay-In Date as well as the probable designated date, being the date of credit of the Equity Shares to the respective Eligible QIB's account.

Eligible QIBs would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the serially numbered CAN to Eligible QIBs shall be deemed a valid, binding and irrevocable contract for the Eligible QIB to furnish all details that may be required by the Lead Managers and to pay the entire Issue Price for all the Equity Shares Allocated to such Eligible QIB.

Eligible QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Issue.

Bank Account for Payment of Application Money

We have opened an escrow account titled "HDFC BANK LTD ESCROW A/C QIP 2018" with the Escrow Agent, the Escrow Account, in terms of the arrangement among us, the Lead Managers and the Escrow Agent. Eligible QIB will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-In Date as mentioned in the respective CAN.

Payments are to be made only through electronic fund transfer.

Note: Payments through cheques are liable to be rejected.

If the payment is not made favouring the Escrow Account within the time stipulated in the CAN, the Application Form and the CAN of the Eligible QIB are liable to be cancelled.

We undertake to utilise the amount deposited in the Escrow Account only for the purposes of (i) adjustment against Allotment of Equity Shares in the Issue; or (ii) repayment of application money if we have not been able to Allot Equity Shares in the Issue.

In case of cancellations or default by the Eligible QIBs, we and the Lead Managers have the right to reallocate the Equity Shares at the Issue Price among existing or new Eligible QIBs at our sole and absolute discretion, subject to the compliance with the requirements of the Companies Act, 2013 and the SEBI ICDR Regulations.

Payment Instructions

The payment of application money shall be made by the Eligible QIBs in the name of "HDFC BANK LTD ESCROW A/C QIP 2018" as per the payment instructions provided in the CAN.

Payments are to be made only through electronic fund transfer.

Note: Payments through cheques are liable to be rejected.

Designated Date and Allotment of Equity Shares

The Equity Shares will not be Allotted unless Eligible QIBs pay the Issue Price to the Escrow Account as stated above.

Subject to the satisfaction of the terms and conditions of the Placement Agreement, the Bank will ensure that the Allotment of the Equity Shares is completed by the Designated Date, provided in the CAN, for the Eligible QIBs who have paid the aggregate subscription amounts as stipulated in the CAN.

In accordance with the SEBI ICDR Regulations, Equity Shares will be issued and Allotment shall be made only in dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

We, at our sole discretion, reserve the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Post receipt of the listing approval of the Stock Exchanges, the Issuer shall credit the Equity Shares into the Depository Participant account of the Eligible QIBs

Following the Allotment and credit of Equity Shares into the Eligible QIBs' Depository Participant accounts, we will apply for final trading and listing approvals from the Stock Exchanges.

In the event of any delay in the Allotment or credit of Equity Shares, or receipt of trading or listing approvals or cancellation of the Issue, no interest or penalty would be payable by us, except as required under Applicable Law.

In relation to Eligible QIBs who have been Allotted more than 5.00% of the Equity Shares in the Issue, the Bank shall disclose the name and the number of the Equity Shares Allotted to such Eligible QIB to the Stock Exchanges and the Stock Exchanges will make the same available on their website.

The Escrow Agent shall release the monies lying to the credit of the Escrow Account to the Bank after Allotment of Equity Shares to Eligible QIBs.

In the event that we are unable to issue and Allot the Equity Shares offered in the Issue or on cancellation of the Issue, within 60 days from the date of receipt of application money, we shall repay the application money within 15 days from expiry of 60 days, failing which we shall repay that money with interest at the rate of 12% per annum from expiry of the sixtieth day. The application money to be refunded by us shall be refunded to the same bank account from which application money was remitted by the Eligible QIBs

Other Instructions

Right to Reject Applications

We, in consultation with the Lead Managers, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of the Bank and the Lead Managers in relation to the rejection of Bids shall be final and binding.

Equity Shares in Dematerialised form with NSDL or CDSL

The Allotment of the Equity Shares in this Issue shall be only in dematerialised form (i.e., not in physical certificates but be fungible and be represented by the statement issued through the electronic mode).

An Eligible QIB applying for Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid. Allotment to a successful Eligible QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Eligible QIB.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with NSDL and CDSL.

The trading of the Equity Shares to be issued pursuant to the Issue would be in dematerialised form only for all Eligible QIBs in the demat segment of the respective Stock Exchanges.

We will not be responsible or liable for the delay in the credit of Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on part of the Eligible QIBs.

Monitoring of foreign investment limits

SEBI has through circular dated April 5, 2018, put in place a new system for monitoring the foreign investment limits in listed Indian companies, and by its circular dated May 17, 2018, SEBI has directed that the system be made operational from June 1, 2018. Accordingly, the listed Indian company shall have to appoint any one depository as its designated depository for the purpose of monitoring the foreign investment limit.

The depository so chosen shall activate a red flag whenever the foreign investment is within 3% or less than 3% of the aggregate NRI/FPI limits or the sectoral cap prescribed under FEMA and shall intimate the stock exchanges of such red flag being activated.

Once the stock exchanges and depositories have intimated to the public that a red flag has been activated for the scrip of the Bank, foreign investors shall take a conscious decision to trade in the shares of the Bank, with a clear understanding that in the event of a breach of the aggregate NRI/FPI limits or the sectoral cap as prescribed under FEMA, foreign investors shall be liable to disinvest the excess holding within five trading days from the date of settlement of the trades.

PLACEMENT

Placement Agreement

The Lead Managers have entered into a placement agreement with the Bank dated July 30, 2018 ("**Placement Agreement**"), pursuant to which each of the Lead Managers have agreed to manage the Issue and to act as placement agents in connection with the Issue and procure subscriptions for the Equity Shares to be issued pursuant to the Issue on a reasonable best efforts basis, in accordance with the Chapter VIII of the SEBI ICD Regulations and Section 42 of the Companies Act, 2013 and the rules made thereunder. The Placement Agreement contains customary representations, warranties and indemnities from the Bank and the Lead Managers, and it is subject to termination in accordance with the terms contained therein.

This Preliminary Placement Document has not been, and will not be, registered as a prospectus with the RoC and, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than QIBs. No assurance can be given on liquidity or sustainability of trading market for the Equity Shares (including the Equity Shares) post the Issue. Applications shall be made to list the Equity Shares issued pursuant to the Issue and admit them to trading on BSE and NSE. No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares. In connection with the Issue, the Lead Managers may, for their own accounts, subscribe to the Equity Shares or enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares to be issued pursuant to the Issue at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Lead Managers may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions.

The Lead Managers and their affiliates may engage in transactions with and perform services for the Bank and its Subsidiaries or affiliates in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with the Bank and its Subsidiaries or affiliates, for which they would have received compensation and may in the future receive compensation.

Lock-up

The Bank will not, for a period of 90 (ninety) days from the Closing Date, without the prior written consent of the Lead Managers, directly or indirectly, (a) offer, sell or announce the intention to sell, pledge, issue, contract to issue, grant any option, right or warrant for the issuance and allotment, or otherwise dispose of or transfer, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position with respect to, any Equity Shares or securities convertible into or exchangeable or exercisable for Equity Shares (including any warrants or other rights to subscribe for any Equity Shares), (b) enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any Equity Shares, whether any such aforementioned transaction is to be settled by allotment of any Equity Shares, in cash or otherwise, or (c) publicly disclose the intention to make any such offer, issuance and allotment or disposition, or to enter into any such transaction, swap, hedge or other arrangement. Provided, however, that the Bank may (i) issue and allot Equity Shares, ADRs or American Depository Shares in relation to the ADS Offering and / or (ii) issue and allot Equity Shares or grant any options pursuant to any employee stock option plan of the Bank, which is in effect on the date hereof, and the Bank may issue Equity Shares issuable upon the exercise of existing options outstanding on the date hereof, in each case, as described in each of this Preliminary Placement Document and the Final Placement Document, as the case may be.

Pursuant to the Preferential Allotment and in accordance with Regulation 78 of the SEBI ICDR Regulations:

(i) 39,096,817 Equity Shares ("**Preferential Allotment Equity Shares**") allotted to HDFC Limited, as part of the Preferential Allotment, shall be locked in for a period of three years from the date of receipt of trading approval, in respect of the Preferential Allotment Equity Shares, being July 18, 2018; and

(ii) 393,211,100 Equity Shares belonging to HDFC Limited, prior to the Preferential Allotment, shall be locked in for a period of six months from the date of receipt of trading approval, in respect of the Preferential Allotment Equity Shares, being July 18, 2018.

SELLING RESTRICTIONS

The distribution of this Preliminary Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who may come into possession of this Preliminary Placement Document are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Preliminary Placement Document may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

GENERAL

No action has been taken or will be taken that would permit a public offering of the Equity Shares to occur in any jurisdiction, or the possession, circulation or distribution of this Preliminary Placement Document or any other material relating to the Bank or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable SEBI ICDR Regulations. Each purchaser of the Equity Shares in the Issue will be required to make, or be deemed to have made, as applicable, the acknowledgments and agreements as described under "Transfer Restrictions."

Australia

This Preliminary Placement Document is not a disclosure document under Chapter 6D of the Corporations Act 2001 of the Commonwealth of Australia (the "**Australian Corporations Act**"), has not been and will not be lodged with the Australian Securities and Investments Commission (the "**ASIC**") as a disclosure document for the purposes of the Australian Corporations Act and does not purport to include the information required of a disclosure document under the Australian Corporations Act. ASIC has not reviewed this Preliminary Placement Document or commented on the merits of investing in the Equity Shares, nor has any other Australian regulator. This Preliminary Placement Document does not constitute or involve a recommendation to acquire, an offer or invitation for issue or sale, an offer or invitation to arrange the issue or sale, or an issue or sale, of interests to a "retail client" (as defined in section 761G of the Corporations Act and applicable regulations) in Australia.

No offer of the Equity Shares is being made in Australia, and the distribution or receipt of this Preliminary Placement Document in Australia does not constitute an offer of securities capable of acceptance by any person in Australia, except in the limited circumstances described below relying on certain exemptions in the Corporations Act. Accordingly,

i. the offer of the Equity Shares in Australia under this Preliminary Placement Document may only be made to those select persons who are able to demonstrate that they are "Wholesale Clients" for the purposes of Chapter 7 of the Australian Corporations Act and fall within one or more of the following categories: "Sophisticated Investors" that meet the criteria set out in Section 708(8) of the Australian Corporations Act, "Professional Investors" who meet the criteria set out in Section 708(11) and as defined in Section 9 of the Australian Corporations Act, experienced investors who receive the offer through an Australian financial services licensee where all of the criteria set out in section 708(10) of the Australian Corporations Act have been satisfied or senior managers of the Bank (or a related body, including a subsidiary), their spouse, parent, child, brother or sister, or a body corporate controlled by any of those persons, as referred to in section 708(12) of the Australian Corporations Act; and

ii. this Preliminary Placement Document may only be made available in Australia to those persons who are able to demonstrate that they are within one of the categories of persons as set forth in clause (i) above.

The Equity Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the Equity Shares may be issued, and no draft or definitive Placement Document, advertisement or other offering material relating to any of the Equity Shares may be distributed in Australia except where disclosure to investors is not required under Chapter 6D of the Australian Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. As any offer of the Equity Shares under this Preliminary Placement Document will be made without disclosure in Australia under the Australian Corporations Act, the offer of those Equity Shares for resale in Australia within 12 months may, under sections 707 or 1012C of the Australian Corporations Act, require disclosure to investors under the

Australian Corporations Act if none of the exemptions in the Australian Corporations Act apply to that resale. Accordingly, any person who acquires the Equity Shares pursuant to this Preliminary Placement Document should not, within 12 months of acquisition of the Equity Shares, offer, transfer, assign or otherwise alienate those Equity Shares to investors in Australia except in circumstances where disclosure to investors is not required under the Australian Corporations Act or unless a complaint disclosure document is prepared and lodged with the Australian Securities and Investments Commission. Any person who accepts an offer of the Equity Shares under this Preliminary Placement Document must represent that, if they are in Australia, they are such a person as set forth in clause (i) above and acknowledge the restrictions on the on-sale of the Equity Shares set out above.

The provisions that define the exempt categories of person as set forth in clause (i) above are complex, and, if you are in any doubt as to whether you fall within one of these categories, you should seek appropriate professional advice regarding those provisions. This Preliminary Placement Document is intended to provide general information only and has been prepared without taking into account any particular person's objectives, financial situation or needs. Investors should, before acting on this information, consider the appropriateness of this information having regard to their personal objectives, financial situation or needs. Investors should review and consider the contents of this Preliminary Placement Document and obtain financial advice specific to their situation before making any decision to make an application for the Equity Shares.

Bahrain

This Preliminary Placement Document has been prepared for private information purposes of intended investors only. This Preliminary Placement Document is intended to be read by the addressee only. No invitation has been made in or from the Kingdom of Bahrain and there will be no marketing or offering of the Equity Shares to any potential investor in Bahrain. All marketing and offering is made and will be made outside of the Kingdom of Bahrain. The Central Bank of Bahrain or any other regulatory authority in Bahrain has not reviewed, nor has it approved, this offering document or the marketing of the Equity Shares and takes no responsibility for the accuracy of the statements and information contained in this Preliminary Placement Document, nor shall it have any liability to any person for any loss or damage resulting from reliance on any statements or information contained herein.

Canada

Prospective Canadian investors are advised that the information contained within this Preliminary Placement Document has not been prepared with regard to matters that may be of particular concern to Canadian investors. Accordingly, prospective Canadian investors should consult with their own legal, financial and tax advisers concerning the information contained within this Preliminary Placement Document and as to the suitability of an investment in the Equity Shares in their particular circumstances.

The offer and sale of the Equity Shares in Canada will only be made in the provinces of Alberta, British Columbia, Ontario and Québec or to residents thereof and not in, or to the residents of, any other province or territory of Canada. Such offers and sales will be made only under exemptions from the requirement to file a prospectus in the above mentioned provinces.

The Equity Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions ("**NI-45-106**") or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Equity Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Preliminary Placement Document (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the Lead Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the Issue.

We hereby notify prospective Canadian purchasers that: (a) we may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the aggregate purchase price of any Equity Shares purchased) ("**personal information**"), which Form 45-106F1 may be required to be filed by us under NI 45-106, (b) such personal information may be delivered to the Ontario Securities Commission (the "**OSC**") in accordance with NI 45-106, (c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (e) the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593- 3684. Prospective Canadian purchasers that purchase Equity Shares will be deemed to have authorized the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number and other specified information, including the aggregate purchase price paid by the purchaser, being disclosed to other Canadian securities regulatory authorities, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

Upon receipt of this Preliminary Placement Document, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit a la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

Cayman Islands

This Preliminary Placement Document does not constitute an invitation or offer to the public in the Cayman Islands of the Equity Shares, whether by way of sale or subscription. The Equity Shares are not offered or sold, and will not be offered or sold, directly or indirectly, to the public in the Cayman Islands.

Dubai International Financial Centre

This Preliminary Placement Document relates to an exempt offer (an "**Exempt Offer**") in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "**DFSA**"). This Preliminary Placement Document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Preliminary Placement Document nor taken steps to verify the information set out in it, and has no responsibility for it. The Equity Shares to which this Preliminary Placement Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Equity Shares offered should conduct their own due diligence on the Equity Shares. If you do not understand the contents of this Preliminary Placement Document, you should consult an authorised financial adviser. For the avoidance of doubt, the Equity Shares are not interests in a "fund" or a "collective investment scheme" within the meaning of either the Collective Investment Law (DIFC Law No. 2 of 2010) or the Collective Investment Rules Module of the Dubai Financial Services Authority Rulebook.

In relation to its use in the DIFC, this Preliminary Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the securities may not be offered or sold directly or indirectly to the public in the DIFC.

European Economic Area

This Preliminary Placement Document has been prepared on the basis that this Issue will be made pursuant to an exemption under the Prospectus Directive as implemented in member states of the European Economic Area ("**EEA**") from the requirement to produce and publish a prospectus which is compliant with the Prospectus Directive, as so implemented, for offers of the Equity Shares. Accordingly, any person making or intending to make any offer within the EEA or any of its member states (each, a "**Relevant Member State**") of the Equity Shares which are the subject of the placement referred to in this Preliminary Placement Document must only do so in circumstances in which no obligation arises for the Bank or any of the Lead Managers to produce and publish a prospectus which is compliant with the Prospectus Directive, including Article 3 thereof, as so implemented for such offer. For EEA jurisdictions that have not implemented the Prospectus Directive, all offers of the Equity Shares must be in compliance with the laws of such jurisdictions. None of the Bank or the Lead Managers have authorised, nor do they authorize, the making of any offer of the Equity Shares through any financial intermediary, other than offers made by the Lead Managers, which constitute a final placement of the Equity Shares.

In relation to each Relevant Member State, each Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), it has not made and will not make an offer of the Equity Shares which are the subject of the Issue contemplated by this Preliminary Placement Document to the public in that Relevant Member State other than:

i. to any legal entity which is a qualified investor as defined in the Prospectus Directive;

ii. to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive subject to obtaining the prior consent of the Lead Managers nominated by the Bank for any such offer; or

iii. in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the Equity Shares shall result in a requirement for the publication by the Bank or the Lead Managers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as such expression may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. For the purposes of this provision, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including 2010/73/EU, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State.

Each subscriber for, or purchaser of, the Equity Shares in the Issue located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Bank, each Lead Manager and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgment and agreement.

Hong Kong

The Equity Shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Equity Shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Japan

The Equity Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended; the "**FIEL**") and each Lead Manager has represented and agreed that it will not offer or sell any Equity Shares, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

Jordan

The Equity Shares are being offered in Jordan on a cross border basis based on a private one-on-one contacts to no more than 30 pre-identified potential investors and accordingly the Equity Shares will not be registered with the Jordanian Securities Commission and a local prospectus is not required. This Preliminary Placement Document may not be used for a public offering in Jordan of the Equity Shares.

Korea

The Equity Shares have not been and will not be registered under the Financial Investments Services and Capital Markets Act of Korea and the decrees and regulations thereunder (the "**FSCMA**"), and the Equity Shares have been and will be offered in Korea as a private placement under the FSCMA. None of the Equity Shares may be offered, sold or delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law of Korea and the decrees and regulations thereunder (the "**FETL**"). Furthermore, the purchaser of the Equity Shares shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the Equity Shares. By the purchase of the Equity Shares, the relevant holder thereof will be deemed to represent and warrant that if it is in Korea or is a resident of Korea, it purchased the Equity Shares pursuant to the applicable laws and regulations of Korea.

Kuwait

The Issue has not been approved by the Kuwait Central Bank or the Kuwait Ministry of Commerce and Industry, nor has the Bank received authorization or licensing from the Kuwait Central Bank or the Kuwait Ministry of Commerce and Industry to offer, market or sell the Equity Shares within Kuwait. Therefore, no services relating to the offering, including the receipt of applications and/or the allotment of Equity Shares, may be rendered within Kuwait by the Bank or persons representing the Bank.

Mauritius

The Equity Shares are not being offered to the public in Mauritius and nothing in the Preliminary Placement Document or any information contained herein may be treated as a prospectus for the purposes of the Securities Act 2005 of Mauritius. The Mauritius Financial Services Commission (the "**FSC**") has neither reviewed nor approved the Preliminary Placement Document and the Bank does not hold any licence issued by the FSC. Accordingly, the Preliminary Placement Document has not been registered with the FSC. Equity Shares are being offered by way of private placement only to the person to whom such offer has been made.

Only persons licensed by the FSC as investment dealers, investment advisers or investment bankers conducting activities as an investment dealer or investment adviser may market and carry out any form of solicitation in Mauritius in respect to the offer, distribution or sale of the Equity Shares. Where solicitation does not exist, a licensee as distributors of financial products may distribute the Equity Shares. The Equity Shares may not be offered, distributed or sold, directly or indirectly, in Mauritius, except as permitted by applicable Mauritius law, including but not limited to the Securities Act 2005 of Mauritius.

The Bank has not been authorized (or recognized) and does not intend to seek authorization (or recognition) with the FSC, and the FSC expresses no opinion as to the matters contained in the Preliminary Placement Document and as to the merits of an investment in the Bank. There is no statutory compensation scheme in Mauritius in the event of the Bank's failure.

New Zealand

This Preliminary Placement Document is not a prospectus. It has not been prepared or registered in accordance with the Securities Act 1978 of New Zealand (the "**New Zealand Securities Act**"). This Preliminary Placement Document is being distributed in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money, within the meaning of section 3(2)(a)(ii) of the New Zealand Securities Act ("**Habitual Investors**"). By accepting this Preliminary Placement Document, each investor represents and warrants that if they receive this Preliminary Placement Document in New Zealand they are a Habitual Investor and you will not disclose this Preliminary Placement Document to any person who is not also a Habitual Investor.

Oman

By receiving this Preliminary Placement Document, the person or entity to whom it has been issued understands, acknowledges and agrees that this Preliminary Placement Document has not been approved by the Capital Market Authority of Oman (the "**CMA**") or any other regulatory body or authority in the Sultanate of Oman ("**Oman**"), nor have the Lead Managers or any placement agent acting on their behalf received authorisation, licensing or approval from the CMA or any other regulatory authority in Oman, to market, offer, sell, or distribute interests in the Equity Shares within Oman.

No marketing, offering, selling or distribution of any interests in the Equity Shares has been or will be made from within Oman and no subscription for any interests in the Equity Shares may or will be consummated within Oman. Neither the Lead Managers nor any placement agent acting on their behalf is a company licensed by the CMA to provide investment advisory, brokerage, or portfolio management services in Oman, nor a bank licensed by the Central Bank of Oman to provide investment banking services in Oman. Neither the Lead Managers nor any placement agent acting on their behalf advise persons or entities resident or based in Oman as to the appropriateness of investing in or purchasing or selling securities or other financial products.

The Equity Shares offered under this Preliminary Placement Document have not and will not be listed on any stock exchange in the Sultanate of Oman.

Nothing contained in this Preliminary Placement Document is intended to constitute Omani investment, legal, tax, accounting or other professional advice. This Preliminary Placement Document is for your information only, and nothing herein is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice on the basis of your situation.

Qatar

This Preliminary Placement Document does not, and is not intended to, constitute an invitation or an offer of securities in the State of Qatar (including the Qatar Financial Centre) and accordingly should not be construed as such. The Equity Shares have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the Equity Shares shall not constitute a public offer of securities in the State of Qatar.

By receiving this document, the person or entity to whom it has been provided to understands, acknowledges and agrees that: (a) neither this Preliminary Placement Document nor the Equity Shares have been registered, considered, authorised or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other authority or agency in the State of Qatar; (b) neither the Bank nor persons representing the Bank are authorised or licensed by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, or any other authority or agency in the State of Qatar, to market or sell the Equity Shares within the State of Qatar; (c) this Preliminary Placement Document may not be provided to any person other than the original recipient and is not for general circulation in the State of Qatar; and (d) no agreement relating to the sale of the Equity Shares shall be consummated within the State of Qatar.

No marketing of the Equity Shares has been or will be made from within the State of Qatar and no subscription to the Equity Shares may or will be consummated within the State of Qatar. Any applications to invest in the Equity Shares shall be received from outside of Qatar. This document shall not form the basis of, or be relied on in connection with, any contract in Qatar. Neither the Bank nor persons representing the Bank are, by distributing this document, advising individuals resident in the State of Qatar as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this document is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the State of Qatar.

Saudi Arabia

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires Equity Shares pursuant to the Issue should note that the offer of Equity Shares is an offer to "Sophisticated Investors" (as defined in Article 11 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated October 4, 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated August 18, 2008 (the "**KSA Regulations**")) for the purposes of Article 9 of the KSA Regulations. Each Lead Manager has represented, warranted and agreed that the offer of the Equity Shares will only be directed at Sophisticated Investors. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorised financial adviser.

The offer of Equity Shares shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Equity Shares as a Sophisticated Investor may not offer or sell those Equity Shares to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and (a) the Equity Shares are offered or sold to a Sophisticated Investor; (b) the price to be paid for the Equity Shares in any one transaction is equal to or exceeds Saudi Arabian Riyal 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

Singapore

This Preliminary Placement Document has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the Equity Shares are offered pursuant to exemptions under Section 274 and Section 275 of the Securities and Futures Act, Chapter 289 of Singapore ("**Securities and Futures Act**"). Accordingly, this Preliminary Placement Document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Equity Shares may not be circulated or distributed, nor will the Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Equity Shares are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Equity Shares under Section 275 of the Securities and Futures Act except:

- to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person, or any person pursuant to Section 275(1) or Section 275(1A) of the Securities and Futures Act, respectively;
- where no consideration is given for the transfer;
- where the transfer is by operation of law;
- pursuant to Section 276(7) of the SFA; or
- as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

South Africa

Due to restrictions under the securities laws of South Africa, the Equity Shares are not offered, and the offer shall not be transferred, sold, renounced or delivered, in South Africa or to a person with an address in South Africa, unless one or other of the following exemptions applies:

i the offer, transfer, sale, renunciation or delivery is to:

(a) persons whose ordinary business is to deal in securities, as principal or agent;

(b) the South African Public Investment Corporation;

(c) persons or entities regulated by the Reserve Bank of South Africa;

(d) authorised financial service providers under South African law;

(e) financial institutions recognised as such under South African law;

(f) a wholly-owned subsidiary of any person or entity contemplated in (c), (d) or (e), acting as agent in the capacity of an authorised portfolio manager for a pension fund or collective investment scheme (in each case duly registered as such under South African law); or

(g) any combination of the person in (a) to (f); or

ii the total contemplated acquisition cost of the securities, for any single addressee acting as principal, is equal to or greater than ZAR1,000,000.

No "offer to the public" (as such term is defined in the South African Companies Act, No. 71 of 2008 (as amended or re-enacted) (the "**South African Companies Act**")) in South Africa is being made in connection with the issue of the Equity Shares. Accordingly, this document does not, nor is it intended to, constitute a "registered prospectus" (as that term is defined in the South African Companies Act) prepared and registered under the South African Companies Act and the South African Companies Act Regulations of 2011 and has not been approved by, or filed with, the South African Companies and Intellectual Property Commission or any other regulatory authority in South Africa. Any issue or offering of the Equity Shares in South Africa constitutes an offer of the Equity Shares in South Africa for subscription or sale in South Africa only to persons who fall within the exemption from "offers to the public" set out in section 96(1)(a) or (b) of the South African Companies Act. Accordingly, this document must not be acted on or relied on by persons in South Africa who do not fall within section 96(1)(a) or (b) of the South African Companies Act (such persons being referred to as "**SA Relevant Persons**"). Any investment or investment activity to which this document relates is available in South Africa only to SA Relevant Persons and will be engaged in South Africa only with SA relevant persons.

The information contained in this Preliminary Placement Document constitutes factual information as contemplated in section 1(3)(a) of the South African Financial Advisory and Intermediary Services Act, No. 37 of 2002 (as amended or re-enacted) and should not be construed as an express or implied recommendation, guidance or proposal that any particular transaction in respect of the Equity Shares is appropriate to the particular investment objectives, financial situations or needs of a prospective investor, and nothing in this Preliminary Placement Document should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa.

No South African residents or offshore subsidiary of a South African resident may subscribe for or purchase any of the Equity Shares or beneficially own or hold any of the Equity Shares unless specific approval has been obtained from the financial surveillance department of the South African Reserve Bank (the "**SARB**") by such persons or such subscription, purchase or beneficial holding or ownership is otherwise permitted under the South African Exchange Control Regulations or the rulings promulgated thereunder (including, without limitation, the rulings issued by the SARB providing for foreign investment allowances applicable to persons who are residents of South Africa under the applicable exchange control laws of South Africa).

Switzerland

The Equity Shares may be offered in Switzerland on the basis of a private placement, not as a public offering. The Equity Shares will neither be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland, nor are they subject to Swiss law. This Preliminary Placement Document does not constitute a prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issuance prospectuses under Art. 652a or Art. 1156 of the Swiss Federal Code of Obligations or Art. 27 ff. *et seq.* of the Listing Rules of the SIX Swiss Exchange or the listing rules of any other stock exchange or regulated trading facility in Switzerland, and does not comply with the Directive for Equity Shares of Foreign Borrowers of the Swiss Bankers Association. We will not apply for a listing of the Equity Shares on any Swiss stock exchange or other Swiss regulated market and this Preliminary Placement Document may not comply with the information required under the relevant listing rules. The Equity Shares have not and will not be registered with the Swiss Federal Banking Commission or any other Swiss authority for any purpose, whatsoever. Neither this document nor any other offering or marketing material relating to the Equity Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Preliminary Placement Document nor any other offering or marketing material related to the offering, the Bank or the Equity Shares have been filed or will be filed with any Swiss regulatory authority, and the offer of Equity Shares will not be supervised by any Swiss regulatory authority. In particular, this Preliminary Placement document will not be filed with, and the offer of Equity Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA ("**FINMA**"), and the offer of Equity Shares has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Equity Shares.

United Arab Emirates (excluding Dubai International Financial Centre)

The Equity Shares have not been, and are not being publicly offered, sold, promoted or advertised in the United Arab Emirates ("U.A.E.") other than in compliance with the laws of the U.A.E. Bidders in the Dubai International Financial Centre should have regard to the specific notice to prospective investors in the Dubai International Financial Centre set out above. The information contained in this Preliminary Placement Document does not constitute a public offer of securities in the U.A.E. in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 of the U.A.E., as amended) or otherwise and is not intended to be a public offer. The Bank and the Equity Shares have not been approved or licensed by or registered with the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other relevant licensing authorities or governmental agencies in the U.A.E. This Preliminary Placement Document has not been approved by or filed with the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or the Dubai Financial Services Authority. This Preliminary Placement Document is being issued to a limited number of selected institutional and sophisticated investors, is not for general circulation in the U.A.E. and may not be provided to any person other than the original recipient or reproduced or used for any other purpose. If you do not understand the contents of this Preliminary Placement Document, you should consult an authorised financial adviser. This Preliminary Placement Document is provided for the benefit of the recipient only, and should not be delivered to, or relied on by, any other person.

United Kingdom

Each Lead Manager has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of the Equity Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom.

No person may communicate or cause to be communicated any invitation or inducement to engage in any investment activity (within the meaning of section 21 of FSMA) received by it in connection with this Issue or sale of the Equity Shares other than in circumstances in which section 21(1) of FSMA does not apply to the Bank. Any person in the United Kingdom that is not a relevant person should not act or rely on the information included in this Preliminary Placement Document or use it as basis for taking any action. In the United Kingdom, any investment or investment activity that this Preliminary Placement Document relates to may be made or taken exclusively by relevant persons.

United States of America

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction in the United

States, and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Equity Shares are being offered and sold only outside the United States in "offshore transactions" (as defined in Regulation S) in reliance on Regulation S. Until 40 days after the commencement of the offering of the Equity Shares, an offer or sale of Equity Shares within the United States by a dealer (whether or not it is participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in transactions exempt from the registration requirements of the Securities Act. Each purchaser of the Equity Shares will be deemed to have made the representations, agreements and acknowledgements as described under "Transfer Restrictions."

TRANSFER RESTRICTIONS

Due to the following restrictions, investors are advised to consult legal counsel prior to purchasing Equity Shares or making any resale, pledge or transfer of the Equity Shares. ***Purchasers are not permitted to sell the Equity Shares Allotted pursuant to the Issue, for a period of one year from the date of Allotment, except on BSE or NSE.*** Additional transfer restrictions applicable to the Equity Shares are listed below.

U.S. TRANSFER RESTRICTIONS

The Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Each purchaser of the Equity Shares outside the United States is deemed to have represented, agreed and acknowledged as follows:

- It is authorised to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations.
- It acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that the Equity Shares are being issued in reliance upon Regulation S and such Equity Shares have not been and will not be registered under the Securities Act.
- It certifies that either (A) it is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares and is located outside the United States (within the meaning of Regulation S) or (B) it is a broker-dealer acting on behalf of its customer and its customer has confirmed to it that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares, and (ii) such customer is not located outside the United States (within the meaning of Regulation S).
- It is aware of the restrictions of the offer, sale and resale of the Equity Shares pursuant to Regulation S.
- The Equity Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S.
- It understands that the Equity Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Equity Shares have not been and will not be registered under the Securities Act and that if in the future it decides to offer, resell, pledge or otherwise transfer any of the Equity Shares, such Equity Shares may be offered, resold, pledged or otherwise transferred in compliance with the Securities Act and other applicable securities laws only outside the United States in a transaction complying with the provisions of Rule 903 or Rule 904 of Regulation S or in a transaction otherwise exempt from the registration requirements of the Securities Act.
- It is a sophisticated investor and has such knowledge and experience in financial, business and investments as to be capable of evaluating the merits and risks of the investment in the Equity Shares. It is experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions. It and any accounts for which it is subscribing to the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to the Bank or any of the Lead Managers for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in its or their circumstances, financial or otherwise, which may cause or require any sale or distribution by it or them of all or any part of the Equity Shares. It acknowledges that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. It is seeking to subscribe to the Equity Shares in this Issue for its own investment and not with a view to distribution.
- It has been provided access to this Preliminary Placement Document and will be provided access to the Placement Document which it has read in its entirety.

- It agrees to indemnify and hold the Bank and each of the Lead Managers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations and warranties. It will not hold any of the Bank or the Lead Mangers liable with respect to its investment in the Equity Shares. It agrees that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares.

- Where it is subscribing to the Equity Shares for one or more managed accounts, it represents and warrants that it is authorised in writing, by each such managed account to subscribe to the Equity Shares for each managed account and to make (and it hereby makes) the acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "it" to include such accounts.

- It agrees that any resale or other transfer, or attempted resale or other transfer, of the Equity Shares made other than in compliance with the above-stated restrictions shall not be recognised by the Bank.

- If such person is a dealer (as such term is defined under the Securities Act), it may not resell the Equity Shares in the United States prior to 40 days from the commencement of the offering of the Equity Shares.

- It acknowledges that the Bank and the Lead Managers and their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements is no longer accurate, it will promptly notify the Bank and the Lead Managers. It agrees that the terms and provisions of the foregoing acknowledgements, representations and agreements shall inure to the benefit of and any document incorporating such acknowledgements, representations and agreements shall be enforceable by the Bank, its successors and its permitted assigns, and the terms and provisions hereof shall be binding on its permitted successors in title, permitted assigns and permitted transferees. It understands that these acknowledgments, representations and undertakings are required in connection with United States securities laws and irrevocably authorizes the Bank to produce these acknowledgments, representations and undertakings (or any document incorporating them) to any interested party in any administrative or legal proceedings or official enquiry with respect to the matters covered herein.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from documents available on the website of SEBI and the Stock Exchanges and has not been prepared or independently verified by the Bank or the Lead Managers or any of their respective affiliates or advisors.

The Indian Securities Market

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai. BSE and NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

Stock Exchanges Regulation

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the SCRA and the SCRR. SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the SCR (SECC) Rules, which regulate *inter alia* the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalisation requirements for stock exchanges. The SCRA, the SCRR and the SCR (SECC) Rules along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

The SEBI Act empowers SEBI to regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

With effect from April 1, 2003, the stock exchanges in India operate on a trading day plus two, or T+2, rolling settlement system. At the end of the T+2 period, obligations are settled with buyers of securities paying for and receiving securities, while sellers transfer and receive payment for securities. For example, trades executed on a Monday would typically be settled on a Wednesday. In order to contain the risk arising out of the transactions entered into by the members of various stock exchanges either on their own account or on behalf of their clients, the stock exchanges have designed risk management procedures, which include compulsory prescribed margins on the individual broker members, based on their outstanding exposure in the market, as well as stock-specific margins from the members.

Listing and Delisting of Securities

The listing of securities on a recognised Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, 2013, the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by SEBI and the SEBI Listing Regulations. The SCRA empowers the governing body of each recognised stock exchange to among other things, suspend trading of or withdraw admission to dealings in a listed security for breach of or non-compliance with any conditions or breach of a company's obligations under the SEBI Listing Regulations or for any reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend the SEBI Listing Regulations and bye-laws of the stock exchanges in India, to overrule decision of the stock exchange's governing body and withdraw recognition of a recognised stock exchange.

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 in relation to the voluntary and compulsory delisting of equity shares from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Minimum Level of Public Shareholding

All listed companies are required to ensure a minimum public shareholding at 25%. Further, where the public shareholding in a listed company falls below 25% at any time, such company is required to bring the public shareholding to 25% within a maximum period of 12 months from the date of such fall. Consequently, a listed company may be delisted from the stock exchanges for not complying with the above-mentioned requirement.

The Bank is in compliance with this minimum public shareholding requirement. The Bank is in compliance with this minimum public shareholding requirement. Pursuant to an amendment of the SCRR in June 2010, all listed companies (except public sector undertakings) were required to maintain a minimum public shareholding of 25%. However, pursuant to a subsequent amendment to the SCRR, a public company, including public sector undertakings, seeking to get a particular class or kind of securities listed shall offer and allot to the public (i) at least 25% of such class or kind of securities issued by the company, if the post issue capital is less than or equal to ₹ 1600 million, (ii) at least such percentage of such class or kind of securities issued by the company equivalent to ₹ 4,000 million, if the post issue capital of the company is more than ₹ 16,000 million but less than or equal to ₹ 40,000 million or (iii) at least 10% of such class or kind of securities issued by the company, if the post issue capital of the company is above ₹ 40,000 million. In case of (ii) and (iii) above, the public shareholding is required to be increased to 25% within a period of three years from the date of listing of the securities.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10.00%, 15.00% and 20.00%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of BSE or the CNX NIFTY of NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20.00% movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

BSE

Established in 1875, it is the oldest stock exchange in India. In 1956, it became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. Pursuant to BSE (Corporatisation and Demutualisation) Scheme 2005 of the SEBI, with effect from August 19, 2005, BSE was incorporated and is now a company under the Companies Act, 2013.

NSE

NSE was established by financial institutions and banks to provide nationwide online, satellite-linked, screen-based trading facilities with market-makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. It has evolved over the years into its present status as one of the premier stock exchanges of India. NSE was recognised as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994. The capital market (equities) segment commenced operations in November 1994 and operations in the derivatives segment commenced in June 2000. NSE launched the NSE 50 Index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap Index on January 1, 1996. The securities in the NSE 50 Index are highly liquid.

Internet-based Securities Trading and Services

Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by SEBI. NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the “equities” as well as the “derivatives” segments of NSE.

Trading Hours

Trading on both NSE and BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9:00 a.m. to 9:15 a.m. that has been introduced recently). BSE and NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives segments) subject to the condition that (i) the trading hours are between 9.00

a.m. and 5.00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours.

Trading Procedure

In order to facilitate smooth transactions, BSE replaced its open outcry system with BSE On-line Trading facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

NSE has introduced a fully automated trading system called NEAT, which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

Takeover Regulations

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Takeover Regulations, which provides specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the Takeover Regulations will apply to any acquisition of the company’s shares/voting rights/control. The Takeover Regulations prescribe certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the Takeover Regulations mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The Takeover Regulations also provides for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition.

Insider Trading Regulations

The SEBI Insider Trading Regulations have been notified by SEBI to prohibit and penalise insider trading in India. An insider is, among other things, prohibited from dealing either on his own behalf or on behalf of any other person, in the securities of a listed company or a company proposed to be listed when in possession of unpublished price sensitive information.

The Insider Trading Regulations also provide disclosure obligations for promoters, employees and directors, with respect to their shareholding in a company, and the changes therein. An insider is, inter alia, prohibited from trading in securities of a listed or proposed to be listed company when in possession of unpublished price sensitive information and to provide access to any person including other insiders to the above referred unpublished price sensitive information except where such communication is for legitimate purposes, performance of duties or discharge of legal obligations. Unpublished price sensitive information shall include any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities.

Depositories

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfer in book-entry form. Further, SEBI framed regulations in relation to the registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets. SEBI has through circular dated April 5, 2018, put in place a new system for monitoring the foreign investment limits in listed Indian companies, and by its circular dated May 17, 2018, SEBI has directed that the system be made operational from June 1, 2018. Accordingly, the listed Indian company shall have to appoint any one depository as its designated depository for the purpose of monitoring the foreign investment limit.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term “securities”, as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of the SEBI.

DESCRIPTION OF THE EQUITY SHARES

The following is information relating to the Equity Shares including a brief summary of the Memorandum and Articles of Association and the Companies Act. Bidders are urged to read the Memorandum and Articles of Association carefully, and consult with their advisers, as the Memorandum and Articles of Association and applicable Indian law, and not this summary, govern the rights attached to the Equity Shares.

General

The authorised share capital of the Bank is ₹ 6,500,000,000 consisting of 3,250,000,000 Equity Shares of ₹ 2 each.

Dividends

Under Indian law, and subject to the Banking Regulation Act and other applicable law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of its shareholders at the annual general meeting of shareholders held within six months of the closing of each financial year. The shareholders have the right to decrease but not increase the dividend amount recommended by the board of directors. Dividends are generally declared as a percentage of par value (on per share basis) and distributed and paid to shareholders. The Companies Act provides that shares of a company of the same class must receive equal dividend treatment.

These distributions and payments are required to be deposited into a separate bank account within 5 days of the declaration of such dividend and paid to shareholders within 30 days of the annual general meeting wherein the resolution for declaration of dividends is approved.

The Companies Act states that any dividends that remain unpaid or unclaimed after that period are to be transferred to a special bank account. Any dividend amount that remains unclaimed for seven years from the date of such transfer is to be transferred by the Bank to a fund, called the Investor Education and Protection Fund, created by the Government of India.

The Articles authorize the board of directors of the Bank to declare interim dividends, the amount of which must be deposited in a separate bank account within five days and paid to the shareholders within 30 days of the declaration.

Under the Companies Act, final dividends payable can be paid only in cash to the registered shareholder at a record date fixed prior to the relevant annual general meeting, to his order or to the order of his banker. However, any dividend payable in cash may be paid by cheque or warrant or in any electronic mode to the shareholder entitled to the payment of the dividend.

Before paying any dividend on the Equity Shares, the Bank is required under the Banking Regulation Act to write off all capitalised expenses including preliminary expenses, organization expenses, share-selling commission, brokerage, amounts of losses incurred or any other item of expenditure not represented by tangible assets. The Bank is permitted to declare dividends of up to 35.0% of its net profits without prior RBI approval subject to compliance with certain prescribed requirements. Further, upon compliance with the prescribed requirements, the Banks is also permitted to declare interim dividends subject to the above-mentioned cap computed for the relevant accounting period.

Dividends may only be paid out of the profits of the Bank for the relevant year arrived at after providing for depreciation or out of the profits of the company for any previous financial years arrived at after providing for depreciation and in certain contingencies out of the free reserves of the company, provided that in computing profits any amount representing unrealised gains, notional gains or revaluation of assets and any change in carrying amount of an asset or of a liability on measurement of the asset or the liability at fair value shall be excluded. Before declaring dividends, the Bank is required, in accordance with the guidelines of RBI, to transfer 25% of its net profit (before appropriation) to a reserve fund.

Bonus Shares

In addition to permitting dividends to be paid out of current or retained earnings calculated under Indian GAAP, the Companies Act permits the board of directors of the Bank, subject to the approval of the shareholders of the Bank, to distribute to the shareholders, in the form of fully paid-up bonus shares or sweat equity shares, an amount transferred from the company’s free reserves, securities premium account or the capital redemption reserve account. These bonus equity shares must be distributed to shareholders in proportion to the number of equity shares owned by them.

Bonus shares can only be issued if the company has not defaulted in payments of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus or principal/interest payments on fixed deposits or debt securities issued by it. Bonus shares must not be issued in lieu of dividend. Further, listed companies are also required to follow the SEBI ICDR Regulations for issuance of bonus shares.

Pre-Emptive Rights and Issue of Additional Shares

Subject to the Banking Regulations Act and other applicable guidelines issued by the RBI, the Companies Act gives shareholders the right to subscribe for new shares in proportion to their existing shareholdings unless otherwise determined by a resolution passed by three-fourths of the shareholders present and voting at a general meeting. Under the Companies Act and the Articles, in the event of an issuance of securities, subject to the limitations set forth above, the Bank must first offer the new Equity Shares to the holders of Equity Shares on a fixed record date. The offer, required to be made by notice, must include:

- the right exercisable by the shareholders of record, to renounce the Equity Shares offered in favor of any other person;
- the number of Equity Shares offered; and
- the period of the offer, which may not be less than 15 days from the date of the offer and shall not exceed thirty days. If the offer is not accepted, it is deemed to have been declined.

The Board is permitted to distribute Equity Shares not accepted by existing shareholders in the manner it deems beneficial for us in accordance with the Articles.

General Meetings of shareholders

There are two types of general meetings of shareholders: (i) annual general meetings; and (ii) extraordinary general meetings. The Bank is required to convene its annual general meeting within six months of the closing of each financial year. The Bank may convene an extraordinary general meeting when necessary or at the request of a shareholder or shareholders holding at least 10% of the paid up capital of the Bank on the date of the request. A general meeting is generally convened by the company secretary in accordance with a resolution of the Board. Written notice or notice via electronic mode means stating the agenda of the meeting must be given at least 21 clear days prior to the date set for the general meeting to the shareholders whose names are in the register at the record date. If the company has a share capital, shorter notice is permitted if consent is received, (i) in the case of annual general meetings, from not less than 95% of the members entitled to vote at such meeting and (ii) in the case of any other general meeting, from the majority in number of members entitled to vote and who represent not less than 95% of such part of the paid-up share capital of the company. Those shareholders who are not registered at the record date do not receive notice of this meeting and are not entitled to attend or vote at this meeting.

Voting Rights

Section 108 of the Companies Act and Rule 20 of the Companies (Management and Administration) Rules, 2014 deal with the exercise of right to vote by members by electronic means. In terms of Rule 20 of the Companies (Management and Administration) Rules, 2014, every listed company (other than a company referred to in Chapters XB or XC of the SEBI ICDR Regulations) is required to provide to its members facility to exercise their right to vote at general meetings by electronic means. Section 110 of the Companies Act allows such a company to transact all items of business at a general meeting, provided the company offers to its members a facility to exercise their right to vote at general meetings by electronic means. The Ministry of Corporate Affairs, has clarified that voting by show of hands would not be allowable in cases where Rule 20 is applicable. Section 12 of the Banking Regulation Act provides that no shareholder shall exercise voting rights in excess of such percentage of the total voting rights of all the shareholders.

A shareholder has one vote for each equity share and voting may be on a poll or through electronic means or postal ballot. However, under the Banking Regulation Act, on poll, a shareholder cannot exercise voting rights in excess of 10% of the total voting rights of all shareholders, except permitted promoter / promoter group shareholding which is allowed upto 15%. The Banking Regulation Act has been amended with effect from

January 18, 2013 to provide that the RBI would have the power to increase the limit on voting rights from 10% to 26% in a phased manner.

At a general meeting, upon a show of hands, every member holding shares and entitled to vote and present in person has one vote. Upon a poll, the voting rights of each shareholder entitled to vote and present in person or by proxy is in the same proportion as the capital paid up on each share held by such holder bears to the Bank's total paid up capital, subject to the limits prescribed under the Banking Regulations Act. Voting is by a show of hands, unless a poll is ordered by the Chairman of the meeting. However, voting by show of hands is not permitted for listed companies. The Chairman of the meeting has a casting vote.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favour of the resolution must be at least three times the votes cast against the resolution.

A shareholder may exercise his voting rights by proxy to be given in the form required by the Articles of Association. The instrument appointing a proxy is required to be lodged with the Bank at least 48 hours before the time of the meeting. A proxy may not vote except on a poll and does not have the right to speak at meetings.

Transfer of shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are exempt from stamp duty. The Bank has entered into an agreement for such depository services with the National Securities Depository Limited and the Central Depository Services India Limited. SEBI requires that the shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. Banks shall keep a book in which every transfer or transmission of shares will be entered.

The Bank may, however, decline to register a transfer if not approved by RBI, wherever such approval is required in accordance with the Banking Regulation Act and any guidelines that may be issued by RBI.

Liquidation Rights

Subject to the rights of depositors, creditors and employees, in the event of winding up of the Bank, the holders of the Equity Shares are entitled to be repaid the amounts of capital paid up or credited as paid up on these Equity Shares. All surplus assets remaining belong to the holders of the Equity Shares in proportion to the amount paid up or credited as paid up on these Equity Shares, respectively, at the commencement of the winding up.

TAXATION

STATEMENT OF TAX BENEFITS

The information provided below sets out the possible tax benefits available to the shareholders of an Indian company in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of equity shares, under the current tax laws presently in force in India. Several of these benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on commercial imperatives a shareholder faces, may or may not choose to fulfill. We do not express any opinion or provide any assurance as to whether the Company or its shareholders will continue to obtain these benefits in future.

The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice.

Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the Shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

Our views expressed in this statement are based on the facts and assumptions as indicated in the statement. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on this statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the proposed issue relying on this statement.

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE BANK AND TO QUALIFIED INSTITUTIONAL BUYERS UNDER THE INCOME TAX ACT, 1961 ("the Act")

The under-mentioned tax benefits will be ordinarily available only to the sole/first-named holder in case the Equity Shares are held by joint shareholders, unless the joint ownership is satisfactorily proved.

I. Special benefits available to the Bank

1. Under section 36(1)(viia) of the Act, a deduction is allowable in respect of any provision made for bad and doubtful debts made by the Bank, of an amount not exceeding 8.5% of total income (computed before making any deduction under this section and Chapter VIA) and an amount not exceeding 10% of the aggregate average advances made by rural branches of the Bank computed in the prescribed manner.

2. Under section 36(1)(vii) of the Act, any bad debt or part thereof written off as irrecoverable in the accounts of the Bank is allowable as a deduction. However, the deduction is limited to the amount by which such bad debts or part thereof, exceeds the credit balance in the provision for bad and doubtful debts account made under section 36(1)(viia) of the Act, and further subject to compliance with section 36(2)(v) of the Act which requires that such debt or part thereof should have been debited to the provision for bad and doubtful debts account under section 36(1)(viia) of the Act.

3. As per section 43D of the Act, the interest income on certain categories of bad and doubtful debts, as specified in Rule 6EA of the Income-tax Rules, 1962 (Rules) having regard to the guidelines issued by the Reserve Bank of India (RBI), is chargeable to tax in the year of receipt or credit to the profit & loss account of the Bank, whichever is earlier.

II. Resident Shareholders

1. As per section 115-O of the Act, tax on distributed profits of domestic companies is chargeable to tax at 15% (plus applicable surcharge and health and education cess) computed by way of grossing up mechanism; (effective tax rate - 20.55%). As per sub-section (1A) to section 115-O of the Act, a domestic company will be allowed to set-off the dividend received from its subsidiary company during

the financial year against the dividend distributed by it, while computing the Dividend Distribution Tax (**"DDT"**) if:

a. the dividend is received from its domestic subsidiary and the subsidiary has paid the DDT payable on such dividend; or

b. the dividend is received from a foreign subsidiary company, tax is payable by the company under section 115BBD of the Act.

However, the same amount of dividend shall not be taken into account for reduction more than once.

Further, the net distributed profits shall be increased to such amounts as would, after reduction of the tax on such increased amounts at the specified rate, be equal to the net distributed profits.

2. Under section 10(34) of the Act, income by way of dividends (whether interim or final) referred to in Section 115-O of the Act received on shares of any Indian Company is exempt from income tax in the hands of shareholders. Such dividend is also to be excluded while computing Minimum Alternate Tax ("**MAT**") liability where the recipient is a Company.

   However, it is pertinent to note that Section 14A of the Act read with Rule 8D of the Rules restricts claims for deduction of expenses incurred in relation to exempt income. Thus, any expense incurred to earn the dividend income is not an allowable expenditure.

3. Further, as per section 115BBDA of the Act, income by way of dividend in excess of Rs. 10 lakhs shall be chargeable to tax in the case of an assessee other than a domestic company, a fund or institution or trust or any university or other educational institutions or any hospital or other medical institutions referred to in section 10(23C)(iv), 10(23C)(v), 10(23C)(vi), 10(23C)(via), a trust or institutions registered under section 12A or section 12AA], who is resident in India, at the rate of 10% (plus applicable surcharge and health and education cess).

   No deduction for any expenditure or allowance or set-off of loss shall be allowed under the provisions of the Act in computing the aforesaid dividend income.

4. As per section 94(7) of the Act, losses arising from sale/transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

5. The characterisation of gains/losses, arising from sale of shares, as capital gains or business income would depend on the nature of holding (whether for investment or carrying on trading in shares) in the hands of the shareholder and various other factors including clarifications/ instructions issued by the Central Government in this regard. The tax incidence on such gains would accordingly be different.

6. Capital assets may be categorized into short term capital assets or long term capital assets based on the period of holding. Capital assets being securities (other than a unit) listed in a recognised stock exchange in India or unit of Unit Trust of India or unit of an equity oriented fund or a zero coupon bond held by an assessee for a period of more than 12 months are considered as long term capital assets. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as long term capital gains ("**LTCG**"). Capital gains arising on sale of these assets held for 12 months or less are considered as short term capital gains ("**STCG**").

   Further, capital assets being shares of company not being a share listed in a recognized stock exchange in India or an immovable property, being land or building or both, held for a period exceeding 24 months are considered as long term capital assets.

   In respect of any other capital assets, the holding period should exceed 36 months to be considered as long term capital assets.

7. As per the provisions of section 48 of the Act, LTCG arising on transfer of capital assets, other than bonds and debentures (excluding capital indexed bonds issued by the Government and Sovereign Gold Bond issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015) and depreciable assets, is computed by deducting expenses incurred in relation to the transfer, the indexed

cost of acquisition and the indexed cost of improvement from the full value of consideration.

8. Under section 10(38) of the Act, LTCG upto 31 March 2018 arising to a shareholder on transfer of equity shares would be exempt from tax where the sale transaction has been entered into on a recognised stock exchange of India and is chargeable to Securities Transaction Tax ("**STT**"). Although LTCG on shares sold on Stock Exchange on which STT is paid are exempt in computation of taxable income as per the normal provisions of the Act, such gains are includible in the book profits of a corporate assessee and are not exempt from the levy of MAT under section 115JB of the Act.

   However, LTCG on sale of equity shares of a company, will not be exempt if the transaction of acquisition, other than the acquisition notified by the Central Government, of such equity share has been entered on or after October 1, 2004 and such transaction has not been chargeable to STT. The Central Board of Direct Taxes (**"CBDT"**) has vide Notification no. F. No. 43/2017 dated June 5, 2017 notified all transactions of acquisition of equity shares entered into on or after October 1, 2004 which are not chargeable to STT, other than those specifically listed in the notification.

   The Finance Act, 2018 has terminated the exemption granted under section 10(38) of the Act to LTCG arising on transfer of listed shares or units of equity oriented mutual funds or units of business trusts by introduction of section 112A in the Act and provided that long-term capital gains arising from transfer of long term capital asset referred to in section 112A of the Act will be liable to tax at the rate of 10% on such income exceeding Rs. 1 lakh.

9. As per section 112A of the Act, the concessional rate of 10% (plus applicable surcharge and health and education cess) shall be available only if STT has been paid on both acquisition and transfer in case of equity shares and STT has been paid on transfer in case of units of equity-oriented mutual funds or units of business trust. As per section 112A(4) of the Act, the Central Government by notification in the official gazette shall specify the modes of acquisition of equity shares which shall be exempt from the condition of payment of STT. Further, the CBDT has clarified vide FAQs dated 4 February 2018 that notification no. 43/2017 dated 5 June 2017 will be reiterated to provide the concessional rate of 10% on transfer of equity shares acquired without payment of STT. The CBDT vide press release dated 24 April 2018 issued draft notification to provide section 112A relief to certain modes of acquisitions. The final notification in this regard is still awaited.

   As per section 48 of the Act, the benefit of indexation and foreign currency fluctuations would not be available. No deduction under Chapter VIA of the Act shall be allowed from such capital gains.

10. Finance Act, 2018 has also amended section 55(2)(ac) of the Act to provide for a grandfathering provision upto 31 January 2018. As per the said amendment, cost of acquisition of the long term capital asset referred to in section 112A of the Act acquired by the assessee before 1 February 2018 would be higher of the following:

    a. the cost of acquisition of the asset; and
    b. lower of:
       i. fair market value (FMV) of such asset; and
       ii. full value of consideration received or accruing as a result of the transfer of the capital asset

    For the purpose of this section, in case of listed equity shares, the FMV shall be the highest price quoted on a recognised stock exchange on 31 January 2018.

11. In accordance with section 112 of the Act, LTCG on sale of capital assets to the extent not exempt under section 10(38) of the Act would be subject to tax at the rate of 20% (plus applicable surcharge and health and, education cess) with indexation benefits. However, as per the first proviso to section 112(1) of the Act, if the tax on LTCG is resulting from transfer of listed securities (other than unit) or zero coupon bonds, then LTCG will be chargeable to tax at the rate lower of the following:

    a. 20% (plus applicable surcharge and health and education cess) of the capital gains as computed after indexation of the cost; or

    b. 10% (plus applicable surcharge and health and education cess) of the capital gains as computed without indexation.

No deduction under Chapter VIA of the Act shall be allowed from such LTCG.

12. The base year for the purpose of indexation has been changed from 1 April 1981 to 1 April 2001

13. Section 54EE of the Act provides that if a long term capital asset is transferred and within a period of 6 months from the date of transfer, the assessee invests in "long term specified assets", then, subject to the limitations provided under the said section, an exemption upto Rs. 50 lakhs can be claimed.

Where the "long term specified asset" is transferred within three years from the date of its acquisition, the amount so exempted is taxable as capital gains in the year of transfer of long term specified asset.

For the purpose of section 54EE of the Act, "long term specified assets" has been defined as a unit or units, issued before 01-April-2019, of such fund as may be notified by the Central Government in this behalf.

14. As per section 111A of the Act, STCG arising on transfer of equity share would be taxable at a rate of 15% (plus applicable surcharge and health and education cess) where such transaction of sale is entered on a recognised stock exchange in India and is chargeable to STT. STCG arising from transfer of capital asset, other than those covered by section 111A of the Act, would be subject to tax as calculated under the normal provisions of the Act.

No deduction under Chapter VIA of the Act shall be allowed from such STCG.

15. As per section 70 of the Act, Short Term Capital Loss computed for the given year is allowed to be set off against STCG as well as LTCG computed for the said year. The balance loss, which is not set off, is allowed to be carried forward for subsequent eight assessment years for being set off against subsequent years' STCG as well as LTCG, in terms of section 74 of the Act.

As per section 70 of the Act, Long Term Capital Loss ("LTCL") computed for a given year is allowed to be set off only against the LTCG. The balance loss, which is not set off, is allowed to be carried forward for subsequent eight assessment years for being set off only against subsequent years' LTCG, in terms of section 74 of the Act.

LTCL arising on sale of shares entered into on a recognized stock exchange and which are chargeable to STT, may not be allowed to be set off or carried forward for set off. In this regard, CBDT has clarified vide FAQs dated 4 February 2018 has proposed the following in connection with the treatment of set-off and carry forward of LTCL arising on sale of shares which has been subjected to STT:

i. As the exemption from LTCG as per section 10(38) of the Act will be available for transfer made between 1 February, 2018 and 31 March, 2018, the LTCL arising during this period will not be allowed to be set-off or carried forward to subsequent years.

ii. LTCL arising from transfer made on or after 1 April, 2018 will be allowed to be set-off and carried forward in accordance with existing provisions of the Act. Therefore, such LTCL can be set-off against any other LTCG and any unabsorbed LTCL can be carried forward to subsequent eight years for set-off against LTCG.

16. As per section 72 of the Act, business loss (other than loss on speculation business), if any, for an assessment year can be carried forward and set off against business profits for eight subsequent years.

17. In terms of section 36(1)(xv) of the Act, the STT paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business of transactions/trading in shares would be eligible for deduction from the amount of income chargeable under the head "Profit and gains of business or profession" if income arising from taxable securities transaction is included in such income. However, no deduction will be allowed in computing the income chargeable to tax as capital gains of such amount paid on account of STT.

18. Under section 56(2)(x) of the Act and subject to exception provided therein, if any person receives from any person, any property, including, inter alia, shares of a company, without consideration or for inadequate consideration, the following shall be treated as 'Income from other sources' in the hands of

the recipient:

a. where the shares are received without consideration, aggregate Fair Market Value ("FMV") exceeds Rs.50,000/-, the whole FMV;

b. where the shares are received for a consideration less than FMV but exceeding Rs. 50,000/-, the aggregate FMV in excess of the consideration paid.

Rule 11UA of the Income-tax Rules, 1962 ("the Rules") provides for the method for determination of the FMV of various properties.

19. No income tax is deductible at source from income by way of capital gains arising to a resident shareholder under the present provisions of the Act.

III. Non-resident shareholders other than Foreign Portfolio Investors (“FPI”)

1. Explanation 5 to section 9(1)(i) of the Act provides that capital asset being a share of a company outside India shall be deemed to be situated in India if it derives its value, directly or indirectly, substantially from the assets located in India. Explanation 6 to section 9(1)(i) of the Act provides that the asset referred to in Explanation 5 would include tangible as well as intangible asset and the valuation of the assets would be carried out in accordance with the method provided under Explanation 6. Explanation 7 to section 9(1)(i) of the Act provides certain situations which would not trigger the provisions of Explanation 5 read with Explanation 6.

Apart from the Explanation 7 which provides the exclusions, the second proviso to the Explanation 5 to section 9(1)(i) of the Act provides for an exclusion to the Category-I and Category-II FPIs under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 made under the Securities and Exchange Board of India Act, 1992. In other words, investors other than Category-I and Category-II FPIs may fall within the ambit of the provisions of Explanation 5 and 6 to section 9(1)(i) subject to the provisions of the Act and the DTAA, whichever is beneficial to the non-resident. This benefit, however, would be further subject to the provisions of General Anti-Avoidance Rules .i.e. Chapter X-A of the Act.

2. As per section 115-O of the Act, tax on distributed profits of domestic companies is chargeable to tax at 15% (plus applicable surcharge and health and education cess). As per sub-section (1A) to section 115-O, the domestic Company will be allowed to set-off the dividend received from its subsidiary company during the financial year against the dividend distributed by it, while computing the DDT if:

a. the dividend is received from its domestic subsidiary and the subsidiary has paid the DDT payable on such dividend; or

b. the dividend is received from a foreign subsidiary company, the Company has paid tax payable under section 115BBD

However, the same amount of dividend shall not be taken into account for reduction more than once.

Further, the net distributed profits shall be increased to such amounts as would, after reduction of the tax on such increased amounts at the specified rate, be equal to the net distributed profits.

3. Under section 10(34) of the Act, income by way of dividends (whether interim or final) referred to in section 115-O of the Act, received on shares of any Indian Company is exempt from income tax in the hands of shareholders.

4. As per section 94(7) of the Act, losses arising from sale/transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

5. The characterisation of gains/losses, arising from sale of shares, as Capital Gains or Business Income would depend on the nature of holding (whether for investment or carrying on trading in shares) in the

hands of the shareholder and various other factors. The tax incidence on such gains would accordingly be different.

6. Capital assets may be categorized into short term capital assets or long term capital assets based on the period of holding. Capital assets being securities (other than a unit) listed in a recognised Stock Exchange in India or unit of Unit Trust of India or unit of an equity oriented fund or a zero coupon bond held by the assessee for a period of more than 12 months are considered as long term capital assets. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as LTCG. Capital gains arising on sale of these assets held for 12 months or less are considered as STCG.

   Further, capital assets being shares of company not being a share listed in a recognized stock exchange in India or an immovable property, being land or building or both, held for a period exceeding 24 months should be considered as long term capital assets.

   In respect of any other capital assets, the holding period should exceed 36 months to be considered as long term capital assets.

7. Under the first proviso to section 48 of the Act, in case of a non-resident shareholder, in computing the capital gains arising under section 112 of the Act from transfer of shares of a company acquired in convertible foreign exchange (as per exchange control regulations) (in cases not covered by section 115E of the Act, discussed hereunder), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilised in the purchase of the shares. The capital gains so computed shall be reconverted into Indian currency.

8. Under section 10(38) of the Act, LTCG upto 31 March 2018 arising to a shareholder, being a non-resident, on sale of equity shares would be exempt from tax where the sale transaction has been entered into on a recognised stock exchange of India and is chargeable to STT. However, LTCG on sale of equity shares in a company, will not be exempt if the transaction of acquisition, other than the acquisition notified by the Central Government, of such equity share has been entered on or after October 1, 2004 and such transaction has not been chargeable to STT. The CBDT has vide Notification no. F. No. 43/2017 dated June 5, 2017 notified all transactions of acquisition of equity shares entered into on or after October 1, 2004 which are not chargeable to STT, other than those specifically listed in the notification.

   Finance Act, 2018 has terminated the exemption granted under section 10(38) of the Act to LTCG arising on transfer of listed shares or units of equity oriented mutual funds or units of business trusts by introduction of section 112A in the Act and provided that long-term capital gains arising from transfer of long term capital asset referred to in section 112A of the Act will be liable to tax at the rate of 10% on such income exceeding Rs. 1 lakh.

9. As per section 112A of the Act, the concessional rate of 10% (plus applicable surcharge and health and education cess) shall be available only if STT has been paid on both acquisition and transfer in case of equity shares and STT has been paid on transfer in case of units of equity-oriented mutual funds or units of business trust. As per section 112A(4) of the Act, the Central Government by notification in the official gazette shall specify the modes of acquisition of equity shares which shall be exempt from the condition of payment of STT. Further, the CBDT has clarified vide FAQs dated 4 February 2018 that notification no. 43/2017 dated 5 June 2017 will be reiterated to provide the concessional rate of 10% on transfer of equity shares acquired without payment of STT. The CBDT vide press release dated 24 April 2018 issued draft notification to provide section 112A relief to off-market acquisitions. The final notification in this regard is still awaited.

   As per section 48 of the Act, the benefit of indexation and foreign currency fluctuations would not be available. No deduction under Chapter VIA of the Act shall be allowed from such capital gains.

10. Finance Act, 2018 has also amended section 55(2)(ac) of the Act to provide for a grandfathering provision upto 31 January 2018. As per the said amendment, cost of acquisition of the long term capital asset referred to in section 112A of the Act acquired by the assessee before 1 February 2018 would be

higher of the following:

a. the cost of acquisition of the asset; and
b. lower of:
 i. fair market value of such asset; and
 ii. full value of consideration received or accruing as a result of the transfer of the capital asset

11. For the purpose of this section, in case of listed equity shares, the FMV shall be the highest price quoted on a recognised stock exchange on 31 January 2018.

12. In accordance with section 112 of the Act, LTCG on sale of, *inter alia*, listed securities to the extent not exempt under section 10(38) of the Act would be subject to tax at the rate of 20% (plus applicable surcharge and health and, education cess). However, as per the first proviso to section 112(1) of the Act, if the tax on LTCG is resulting from transfer of listed securities (other than unit) or zero coupon bonds, then LTCG will be chargeable to tax at the rate lower of the following:

   a. 20% (plus applicable surcharge and health and education cess) of the capital gains as computed after benefit of first proviso to section 48; or
   b. 10% (plus applicable surcharge and health and education cess) of the capital gains.

   No deduction under Chapter VIA of the Act shall be allowed from such LTCG.

13. The base year for the purpose of indexation has been changed from 1 April 1981 to 1 April 2001.

14. Section 54EE of the Act provides that if a long term capital asset is transferred and within a period of 6 months from the date of transfer, the assessee invests in long term specified assets, then, subject to the limitations provided under the section, an exemption upto Rs. 50 lakhs can be claimed.

   Where the "long term specified asset" is transferred within three years from the date of its acquisition, the amount so exempted is taxable as capital gains in the year of transfer of the long term specified asset

   For the purpose of section 54EE of the Act, long term specified assets has been defined as a unit or units, issued before 1 April 2019, of such fund as may be notified by the Central Government in this behalf.

15. As per section 111A of the Act, STCG arising on transfer of equity share or units of an equity oriented fund or units of a business trust would be taxable at a rate of 15% (plus applicable surcharge and health and education cess) where such transaction of sale is entered on a recognised stock exchange in India and is chargeable to STT. Further, as per second proviso to section 111A of the Act, the requirement of a transfer being chargeable to STT is not applicable to:

   a. transactions undertaken on a recognized stock exchange located in International Financial Services Centre; and

   b. the consideration for such transactions is payable in foreign currency.

   STCG arising from transfer of capital assets, other than those covered by section 111A of the Act, would be subject to tax as calculated under the normal provisions of the Act.

   No deduction under Chapter VIA of the Act shall be allowed from such STCG.

16. As per section 70 of the Act, Short Term Capital Loss computed for the given year is allowed to be set off against STCG as well as LTCG computed for the said year. The balance loss, which is not set off, is allowed to be carried forward for subsequent eight assessment years for being set off against subsequent years' STCG as well as LTCG, in terms of section 74 of the Act.

   As per section 70 of the Act, LTCL computed for a given year is allowed to be set off only against the LTCG. The balance loss, which is not set off, is allowed to be carried forward for subsequent eight assessment years for being set off only against subsequent years' LTCG, in terms of section 74of the Act.

LTCL arising on sale of shares entered into on a recognized stock exchange and which are chargeable to STT, may not be allowed to be set off or carried forward for set off. In this regard, CBDT has clarified vide FAQs dated 4 February 2018 has proposed the following in connection with the treatment of set-off and carry forward of LTCL arising on sale of shares which has been subjected to STT:

i. As the exemption from LTCG as per section 10(38) of the Act will be available for transfer made between 1 February, 2018 and 31 March, 2018, the LTCL arising during this period will not be allowed to be set-off or carried forward to subsequent years.

ii. LTCL arising from transfer made on or after 1 April, 2018 will be allowed to be set-off and carried forward in accordance with existing provisions of the Act. Therefore, such LTCL can be set-off against any other LTCG and any unabsorbed LTCL can be carried forward to subsequent eight years for set-off against LTCG.

17. In terms of section 36(1)(xv) of the Act, the STT paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business of transactions/ trading in shares would be eligible for deduction from the amount of income chargeable under the head “Profit and gains of business or profession” if income arising from taxable securities transaction is included in such income. However, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of STT.

18. Under section 56(2)(x) of the Act and subject to exception provided therein, if any person receives from any person, any property, including, inter alia, shares of a company, on or after 1 April 2017, without consideration or for inadequate consideration, the following shall be treated as 'Income from other sources' in the hands of the recipient:

a. where the shares are received without consideration and the aggregate Fair Market Value ("FMV") of such shares exceeds Rs.50,000/-, the whole of the aggregate FMV;

b. where the shares are received for a consideration less than the aggregate FMV of such shares by any amount exceeding Rs. 50,000/-, the aggregate FMV in excess of the consideration paid.

Rule 11UA of the Rules provides for the method for determination of the FMV of various properties.

19. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Double Taxation Avoidance Agreement (the “**DTAA**”) between India and the country of residence of the non-resident/ NRI. As per section 90(2) of the Act, provisions of the Act would prevail over the provisions of the DTAA to the extent they are more beneficial to the non-resident/ NRI.

20. As per section 90(4) of the Act, an assessee being a non-resident, shall not be entitled to claim relief under section 90(2) of the Act, unless a certificate of his being a resident in any country outside India, is obtained by him from the government of that country or any specified territory. As per section 90(5) of the Act, the non-resident shall be required to provide such other information, as mentioned in Form 10F.

21. As per the provisions of section 195 of the Act, any income by way of capital gains payable to non-residents (other than LTCG exempt u/s 10(38)) may be subject to withholding of tax at the rate under the domestic tax laws or under the DTAA, whichever is beneficial to the assessee unless a lower withholding tax certificate is obtained from the tax authorities. However, the non-resident investor will have to furnish a certificate of his being a resident in a country outside India, to get the benefit of the applicable DTAA and the document as notified under the provision of section 90(5) of Act.

IV. Non-resident shareholders – FPIs

1. As per section 115-O of the Act, tax on distributed profits of domestic companies is chargeable to tax at 15% (plus applicable surcharge and health and education cess). As per sub-section (1A) to section 115-O, the domestic Company will be allowed to set-off the dividend received from its subsidiary company during the financial year against the dividend distributed by it, while computing the DDT if:

a. the dividend is received from its domestic subsidiary and the subsidiary has paid the DDT payable on such dividend; or

b. the dividend is received from a foreign subsidiary company, the Company has paid tax payable under section 115BBD

However, the same amount of dividend shall not be taken into account for reduction more than once.

Further, the net distributed profits shall be increased to such amounts as would, after reduction of the tax on such increased amounts at the specified rate, be equal to the net distributed profits

2. Under section 10(34) of the Act, income by way of dividends (whether interim or final) referred to in section 115-O received on shares is exempt from income tax in the hands of shareholders.

   As per section 94(7) of the Act, losses arising from sale/ transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent of the amount of dividend claimed exempt.

3. As per section 2(14) of the Act, any security held by a FPI who has invested in such securities in accordance with the regulations made under Securities & Exchange Board of India Act, 1992 would be treated as a capital asset only so that any income arising from transfer of such security by a FPI would be treated in the nature of capital gains.

4. The provisions of indirect transfer in terms of Explanation 5 to section 9(1) of the Act shall not apply to non-resident investors in Category-I and Category-II FPI registered under Securities and Exchange Board of India (FPI) Regulations, 2014.

5. Capital assets may be categorized into short term capital assets or long term capital assets based on the period of holding. Capital assets being securities (other than a unit) listed in a recognised stock exchange in India or unit of Unit Trust of India or unit of an equity oriented fund or a zero coupon bond held by an assessee for a period of more than 12 months are considered as long term capital assets. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as LTCG. Capital gains arising on sale of these assets held for 12 months or less are considered as STCG.

   Further, capital assets being shares of company not being a share listed in a recognized stock exchange in India or an immovable property, being land or building or both, held for a period exceeding 24 months should be considered as long term capital assets.

   In respect of any other capital assets, the holding period should exceed 36 months to be considered as long term capital assets.

6. Under section 10(38) of the Act, LTCG upto 31 March 2018 arising to a shareholder on transfer of equity shares would be exempt from tax where the sale transaction has been entered into on a recognised Stock Exchange of India and is liable to STT. However, LTCG on sale of equity shares in a company, will not be exempt if the transaction of acquisition, other than the acquisition notified by the Central Government, of such equity share has been entered on or after October 1, 2004 and such transaction has not been chargeable to STT. The CBDT has vide Notification no. F. No. 43/2017 dated June 5, 2017 notified all transactions of acquisition of equity shares entered into on or after October 1, 2004 which are not chargeable to STT, other than those specifically listed in the notification.

7. Finance Act, 2018 has terminated the exemption granted under section 10(38) of the Act to LTCG arising on transfer of listed shares or units of equity oriented mutual funds or units of business trusts by introduction of section 112A in the Act and provided that long-term capital gains arising from transfer of long term capital asset referred to in section 112A of the Act will be liable to tax at the rate of 10% on such income exceeding Rs. 1 lakh.

8. As per section 112A of the Act, the concessional rate of 10% (plus applicable surcharge and health and education cess) shall be available only if STT has been paid on both acquisition and transfer in case of equity shares and units of equity-oriented mutual funds or units of business trust. As per section 112A(4) of the Act, the Central Government by notification in the official gazette shall specify the

modes of acquisition of equity shares which shall be exempt from the condition of payment of STT. Further, the CBDT has clarified vide FAQs dated 4 February 2018 that the notification no. 43/2017 dated 5 June 2017 will be reiterated to provide the concessional rate of 10% on transfer of equity shares acquired without payment of STT. The CBDT vide press release dated 24 April 2018 issued draft notification to provide section 112A relief to off-market acquisitions.

As per section 48 of the Act, the benefit of indexation and foreign currency fluctuations would not be available.

No deduction under Chapter VIA of the Act shall be allowed from such capital gains.

9. Finance Act, 2018 has also amended section 55(2)(ac) of the Act to provide for a grandfathering provision upto 31 January 2018. As per the said amendment, cost of acquisition of the long term capital asset referred to in section 112A of the Act acquired by the assessee before 1 February 2018 would be higher of the following:

a. the cost of acquisition of the asset; and
b. lower of:
  i. fair market value of such asset; and
  ii. full value of consideration received or accruing as a result of the transfer of the capital asset

10. For the purpose of this section, in case of listed equity shares, the FMV shall be the highest price quoted on a recognised stock exchange on 31 January 2018.

11. Section 54EE of the Act provides that if a long term capital asset is transferred and within a period of 6 months from the date of transfer, the assessee invests in long term specified assets, then, subject to the limitations provided under the section, an exemption upto Rs. 50 lakhs can be claimed.

Where the “long term specified asset” is transferred within three years from the date of its acquisition, the amount so exempted is taxable as capital gains in the year of transfer.

For the purpose of section 54EE of the Act, long term specified assets has been defined as a unit or units, issued before 01-April-2019, of such fund as may be notified by the Central Government in this behalf.

12. Under section 115AD(1)(ii) of the Act, income by way of STCG arising to the FPI on transfer of shares shall be chargeable at a rate of 30% (plus applicable surcharge and health and education cess), where such transactions are not subjected to STT, and at the rate of 15% (plus applicable surcharge and health and education cess) if such transaction of sale is entered on a recognised stock exchange in India and is chargeable to STT.

Under section 115AD(1)(iii) of the Act income by way of LTCG arising to an FPI from the transfer of shares (in cases not covered under section 10(38) of the Act) held in the company will be taxable at the rate of 10% (plus applicable surcharge and health and education cess). The benefits of indexation of cost and of foreign currency fluctuations are not available to FPIs.

The Finance Act, 2018 has amended the provisions of section 115AD of the Act to withdraw the exemption of section 10(38) of the Act and provided that long-term capital gains arising from transfer of long term capital asset referred to in section 112A of the Act will be liable to tax at the rate of 10% on such income exceeding Rs. 1 lakh.

13. In respect of FPIs, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the DTAA between India and the country of residence of the FPI. As per section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the DTAA entered between India and the country of fiscal domicile of the FPI, if any, to the extent they are more beneficial to the FPIs. Thus, FPIs can opt to be governed by the provisions of the Act or the applicable tax treaty, whichever is more beneficial.

14. As per section 90(4) of the Act, the FPIs shall not be entitled to claim relief under section 90(2) of the Act, unless a certificate of their being a resident in any country outside India, is obtained by them from the government of that country or any specified territory. As per section 90(5) of the Act, the FPIs shall

be required to provide such other information as mentioned in Form 10F.

15. As per section 196D(2) of the Act, no tax is to be deducted from any income, by way of capital gains arising from the transfer of securities referred to in section 115AD, payable to a FPI.

V. VENTURE CAPITAL COMPANIES/FUNDS

Under section 10(23FB) of the Act, any income of Venture Capital Company registered with SEBI or Venture Capital Fund registered under the provision of the Registration Act, 1908 (set up to raise funds for investment in venture capital undertaking notified in this behalf), would be exempt from income tax, subject to conditions specified therein. Venture capital companies/ funds are defined to include only those companies/ funds which have been granted a certificate of registration, before the 21st day of May, 2012 as a Venture Capital Fund or have been granted a certificate of registration as Venture Capital Fund as a sub-category of Category I Alternative Investment Fund. ‘Venture capital undertaking’ means a venture capital undertaking as defined in clause (n) of regulation 2 of the SEBI (Venture Capital Funds Regulations,1996) or as defined in clause (aa) of sub-regulation (1) of regulation 2 of the SEBI (Alternative Investment Funds) Regulations, 2012.

As per section 115U(1) of the Act, any income accruing/ arising/ received by a person from his investment in Venture Capital Company/ Venture Capital Fund would be taxable in the hands of the person making an investment in the same manner as if it were the income accruing/ arising/ received by such person had the investments been made directly in the venture capital undertaking.

Further, as per section 115U(5) of the Act, the income accruing or arising to or received by the venture capital company/ funds from investments made in a venture capital undertaking if not paid or credited to a person (who has investments in a Venture Capital Company /Fund) shall be deemed to have been credited to the account of the said person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income had it been paid in the previous year.

Additionally, as per section 115U(6) of the Act, the provisions of section 115U shall not apply in respect of income accruing or arising to a person on or after 1 April 2016 from investments made in a venture capital company or a venture capital fund.

VI. ALTERNATIVE INVESTMENT FUND (CATEGORY I AND II)

Under section 10(23FBA), any income of an investment fund other than the income chargeable under the head "Profits and gains of business or profession" is exempt from income tax. For this purpose, an “Investment Fund” means a fund registered as Category I or Category II Alternative Investment Fund and is regulated under the SEBI (Alternative Investment Fund) Regulations, 2012.

As per section 115UB(1) of the Act, any income accruing /arising/ received by a person from his investment in investment Fund would be taxable in the hands of the person making an investment in the same manner as if it were the income accruing/ arising/ received by such person had the investments by the investment fund been made directly by him.

Under section 115UB(4) of the Act, the total income of an Investment Fund would be charged at the rate or rates as specified in the Finance Act of the relevant year where the Investment Fund is a company or a firm and at maximum marginal rate in any other case.

As per section 115UB(6) of the Act, the income accruing or arising to or received by the investment fund if not paid or credited to a person (who has investments in the investment fund) shall be deemed to have been credited to the account of the said person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income had it been paid in the previous year.

Further, as per section 194LBB of the Act, where any income, other than that proportion of income which is of the same nature as income referred to in section 10(23FBB) of the Act, is payable to a unit holder in respect of units of an Investment Fund, the person responsible for making the payment shall, at the time of credit of such income to the account of payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon:

i. at the rate of 10% where the payee is a residents; and
ii. at the rates in force where the payee is a non-resident.

VII. MUTUAL FUNDS

Under section 10(23D) of the Act, any income of mutual funds registered under Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India and subject to the conditions specified therein, is exempt from tax subject to such conditions as the Central Government may by notification in the Official Gazette, in this behalf.

VIII. PROVIDENT FUND AND SUPERANNUATION FUND

Under section 10(25) of the Act, interest or capital gains on securities held by a provident fund to which the Provident Funds Act, 1925 applies is exempt from tax. Further, any income received by trustees on behalf of a recognised provident fund and a recognised superannuation fund is also exempt from tax.

IX. MULTI-LATERAL AND BILATERAL DEVELOPMENT FINANCIAL INSTITUTIONS:

Generally, Multilateral and bilateral development financial institutions may be exempt from taxation in India on the capital gains arising on the sale of shares of the bank depending on the applicable Statute and Acts passed in India. In case they are not specifically exempt from tax then the provisions as applicable for capital gains to a non-resident FPI, as they should be registered as FPI, should apply to these institutions

Notes:

1. The statement of tax benefits enumerated above is as per the Income-tax Act, 1961, as amended by the Finance Act, 2018 (**"FA"**).

2. Surcharge is levied on firm, co-operative society and local authority at the rate of 12% on tax where the total income exceeds Rs. 1 crore.

3. Surcharge is to be levied on domestic companies at the rate of 7% on tax where the income exceeds Rs 1 crore but does not exceed Rs. 10 crores and at the rate of 12% on tax where the income exceeds Rs. 10 crores.

4. Surcharge is to be levied on every company other than domestic company at the rate of 2% on tax where the income exceeds Rs 1 crore but does not exceed Rs.10 crores and at the rate of 5% where the income exceeds Rs. 10 crores.

5. Health and Education Cess is to be levied at the rate of 4% on aggregate of income tax and surcharge.

6. Several of the above tax benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant tax laws and subject to General Anti Avoidance Rules covered under Chapter X-A of the Act.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following summary describes certain material U.S. federal income tax consequences relating to an investment in our Equity Shares as of the date hereof. This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, existing final, temporary and proposed Treasury Regulations, rulings and judicial decisions, all as currently in effect and all of which are subject to prospective and retroactive rulings and changes.

This summary does not purport to address all U.S. federal income tax consequences that may be relevant to a particular investor and you are urged to consult your own tax advisor regarding your specific tax situation. The summary applies only to investors who purchase Equity Shares in this offering and own Equity Shares as "capital assets" (generally, property held for investment) under the Code, and does not address the tax consequences that may be relevant to investors in special tax situations, including for example:

- insurance companies;
- regulated investment companies and real estate investment trusts;
- tax-exempt organizations;
- broker-dealers;
- traders in securities that elect to mark-to-market;
- banks or certain other financial institutions;
- U.S. investors whose functional currency is not the U.S. dollar;
- certain former citizens or residents of the United States;
- investors that hold our Equity Shares as part of a hedge, straddle or conversion transaction; or
- holders that own, directly, indirectly or constructively 10.0% or more of our total combined voting stock.

Further, this summary does not address the alternative minimum tax consequences of an investment in our Equity Shares, or the indirect consequences to owners of equity or partnership interests in entities that own our Equity Shares. In addition, this summary does not address the U.S. estate, gift, state and local and foreign tax consequences of an investment in our Equity Shares.

You should consult your own tax advisor regarding the U.S. federal, state, local, foreign and other tax consequences of purchasing, owning and disposing of our Equity Shares in your particular circumstances.

Taxation of U.S. Holders

You are a "U.S. Holder" if you are, for U.S. federal income tax purposes, a beneficial owner of Equity Shares and you are:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organised in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust, if a court within the U.S. is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all substantial decisions of the trust, or if the trust has made a valid election to be treated as a United States person.

A "Non-U.S. Holder" is a beneficial owner of our Equity Shares that is neither a U.S. Holder nor a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes.

If a partnership holds Equity Shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding our Equity Shares should consult their own tax advisors.

This discussion assumes that we are not, and will not become, a passive foreign investment company (a "**PFIC**") for U.S. federal income tax purposes, as described below.

Distributions on Equity Shares

The gross amount of cash distributions made by us to a U.S. Holder with respect to Equity Shares generally will be taxable to such U.S. Holder as ordinary dividend income when such U.S. Holder receives the distribution, actually or constructively, to the extent paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). We currently do not, and we do not intend to, calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution generally will be reported as dividend income.

Indian companies distributing dividends are subject to a dividend distribution tax and such dividend distributions are not taxable in the hands of the recipient. See "Taxation - *Statement on Tax Benefits*" on page 208. Indian dividend distribution tax, therefore, should not be treated as part of the gross amount of the dividend received by the U.S. Holder and should not be eligible for a credit or deduction against a U.S. Holder's U.S. federal income taxes as the dividend distribution tax is imposed on the company making the distribution and not on the U.S. Holder. Dividends paid on the equity shares will generally be treated as "passive category" foreign source income, which may be relevant to certain U.S. Holders in computing their foreign tax credit limitations. You should consult your tax advisor regarding the availability of the foreign tax credit under your particular circumstances.

If these dividends constitute qualified dividend income ("**QDI**"), individual U.S. Holders of our Equity Shares will generally pay tax on such dividends at a reduced rate, provided certain holding period requirements and other conditions are satisfied. Dividends paid by us will be QDI if we are a qualified foreign corporation ("**QFC**") at the time the dividends are paid. We believe that we are currently, and will continue to be, a QFC so we expect all dividends paid by us to be QDI for U.S. federal income tax purposes. Dividends paid by us generally will not be eligible for the dividends-received deduction available to certain U.S. corporate shareholders.

The amount of any cash distribution paid in Indian rupees will equal the U.S. dollar value of the distribution, calculated by reference to the exchange rate in effect at the time the distribution is received by the U.S. Holder, regardless of whether the payment is in fact converted to U.S. dollars at that time. Generally, a U.S. Holder should not recognize any foreign currency gain or loss if such Indian rupees are converted into U.S. dollars on the date received. If the Indian rupees are not converted into U.S. dollars on the date of receipt, however, gain or loss may be recognised upon a subsequent sale or other disposition of the Indian rupees. Such foreign currency gain or loss, if any, will be U.S. source ordinary income or loss. Additionally, proposed Treasury Regulations (upon which taxpayers may currently rely) provide that certain taxpayers may elect to "mark to market" foreign currency gain or loss with respect to Indian rupees received as dividends on our Equity Shares. The proposed regulations are complex. You should consult your tax advisor regarding the applicability of these regulations to your particular circumstances.

Sale or Exchange of Equity Shares

A U.S. Holder will generally recognize capital gain or loss upon the sale, exchange or other taxable disposition of Equity Shares measured by the difference between the U.S. dollar value of the amount received and the U.S. Holder's tax basis (determined in U.S. dollars) in the Equity Shares. Any gain or loss will be long-term capital gain or loss if the Equity Shares in the sale, exchange or other taxable disposition have been held for more than one year and will generally be U.S. source gain or loss. Your ability to deduct capital losses is subject to limitations. Under certain circumstances described under "Taxation - *Statement of Tax Benefits*" on page 208, you may be subject to Indian tax upon the disposition of Equity Shares. In such circumstances and subject to applicable limitations (and the relief provided by an applicable income tax treaty), you may be able to credit the Indian tax against your U.S. federal income tax liability. You should consult your tax advisor regarding the availability of the foreign tax credit under your particular circumstances.

For cash-basis U.S. Holders who receive foreign currency in connection with a sale or other taxable disposition of Equity Shares, the amount realised will be based upon the U.S. dollar value of the foreign currency received with respect to such Equity Shares as determined on the settlement date of such sale, exchange or other taxable disposition.

Accrual-basis U.S. Holders may elect the same treatment required of cash-basis taxpayers with respect to a sale, exchange or other taxable disposition of Equity Shares, provided that the election is applied consistently from year to year. Such election cannot be changed without the consent of the Internal Revenue Service ("**IRS**"). Accrual-basis U.S. Holders that do not elect to be treated as cash-basis taxpayers for this purpose may have foreign currency gain or loss for U.S. federal income tax purposes due to differences between the U.S. dollar value of the foreign currency received prevailing on the date of such sale, exchange or other taxable disposition and the value prevailing on the date of payment. Any such foreign currency gain or loss will generally be treated as U.S. source ordinary income or loss, in addition to the gain or loss, if any, recognised on the sale, exchange or other taxable disposition of Equity Shares.

Medicare Tax

Certain U.S. Holders who are individuals, estates, or trusts are required to pay a 3.8% Medicare surtax on all or part of such holder's "net investment income", which includes, among other items, dividends on, and capital gains from the sale, exchange or other taxable disposition of, our Equity Shares, subject to certain limitations and exceptions. Prospective invetsors should consult their own tax advisors regarding the effect, if any, of this surtax on their ownership and disposition of the Equity Shares.

Passive Foreign Investment Company Rules

U.S. Holders generally will be subject to a special, adverse tax regime that would differ in certain respects from the tax treatment described above if we are, or were to become, a PFIC for U.S. federal income tax purposes. We do not believe that we are, nor do we expect to become, a PFIC because we believe we qualify under the "active banking exception" to the PFIC regime and intend to operate our business so that we continue to so qualify. However, our qualification is not free from doubt. Furthermore, the determination of whether a corporation is a PFIC is made annually and therefore there can be no assurance that we will not become a PFIC in subsequent years. We urge you to consult your own tax advisor regarding the potential application of the PFIC rules.

Information Reporting with Respect to Foreign Financial Assets

Individuals and certain entities who are U.S. Holders that own "specified foreign financial assets", including stock of a non-U.S. corporation not held through a financial institution, with an aggregate value in excess of certain dollar thresholds may be required to file an information report with respect to such assets on IRS Form 8938 with their U.S. federal income tax returns. Penalties apply for failure to properly complete and file IRS Form 8938. U.S. Holders are encouraged to consult their tax advisors regarding the application of this reporting requirement to their ownership of our Equity Shares.

Taxation of Non-U.S. Holders

Distributions on Equity Shares

Non-U.S. Holders generally will not be subject to U.S. federal income or withholding tax on dividends received from us with respect to our Equity Shares, unless such income is considered effectively connected with the Non-U.S. Holder's conduct of a U.S. trade or business for U.S. federal income tax purposes (and, if required by an applicable income tax treaty, the income is attributable to a permanent establishment or fixed base maintained in the United States).

Sale or Exchange of Equity Shares

Non-U.S. Holders generally will not be subject to U.S. federal income tax on any gain realised upon the sale, exchange or other taxable disposition of Equity Shares unless:

- such gain is considered effectively connected with the Non-U.S. Holder's conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, the income is attributable to a permanent establishment or fixed base maintained in the United States); or

- such Non-U.S. Holder is an individual that is present in the United States for 183 days or more during the taxable year of the disposition and certain other conditions are met.

In addition, if you are a corporate Non-U.S. Holder, any effectively connected dividend income or gain (subject to certain adjustments) may be subject to an additional branch profits tax at a rate of 30.0% (or such lower rate as may be specified by an applicable income tax treaty).

Backup Withholding and Information Reporting

In general, dividends on and payments of the proceeds of a sale, exchange or other taxable disposition of Equity Shares, paid to a U.S. Holder within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding at a rate currently equal to 24.0% unless the U.S. Holder:

- is a corporation or other exempt recipient; or
- provides an accurate taxpayer identification number and certifies that no loss of exemption from backup withholding applies to such U.S. Holder.

Non-U.S. Holders generally are not subject to information reporting or backup withholding. However, such holders may be required to provide a certification to establish their non-U.S. status in connection with payments received within the United States or through certain U.S.-related financial intermediaries.

Backup withholding is not an additional tax. Holders generally will be allowed a credit of the amount of any backup withholding against their U.S. federal income tax liability or may obtain a refund of any amounts withheld under the backup withholding rules that exceed such income tax liability by filing a refund claim with the IRS.

Foreign Account Tax Compliance

Sections 1471 through 1474 of the Code (provisions commonly known as "FATCA" or the Foreign Account Tax Compliance Act) impose (a) certain reporting and due diligence requirements on foreign financial institutions ("FFIs") and, (b) potentially require such FFIs to deduct a 30% withholding tax from (i) certain payments from sources within the United States, and (ii) "foreign passthru payments" (which is not yet defined in current guidance) made to certain FFIs that do not comply with such reporting and due diligence requirements or certain other payees that do not provide required information. We as well as relevant intermediaries such as custodians are classified as FFIs for these purposes. The United States has entered into a number of intergovernmental agreements ("**IGAs**") with other jurisdictions which may modify the operation of this withholding. Given that India has entered into a Model 1 IGA with the United States for giving effect to FATCA, Indian financial institutions such as us, are required to comply with FATCA, based on the terms of the IGA and relevant rules made pursuant thereto.

Under current guidance it is not clear whether or to what extent payments on the Equity Shares will be considered "foreign passthru payments" subject to FATCA withholding or the extent to which withholding on "foreign passthru payments" will be required under the applicable IGA. Investors should consult their own tax advisers on how the FATCA rules may apply to payments they receive in respect of the Equity Shares.

Should any withholding tax in respect of FATCA be deducted or withheld from any payments arising to any investor, neither the Bank nor any other person will pay additional amounts as a result of the deduction or withholding.

LEGAL PROCEEDINGS

The Bank and its Subsidiaries are, subject to various legal proceedings from time to time, mostly arising in the ordinary course of their business including criminal proceedings, civil proceedings, tax proceedings and notices received from various regulators such as SEBI and RBI. The Bank believes that the number of proceedings and disputes in which the Bank and our Subsidiaries are involved is not unusual for a Bank of our size in the context of doing business in India and in international markets. These proceedings involving the Bank, its Subsidiaries, its respective directors and its employees are primarily in the nature of recovery proceedings initiated by us in respect of advances made, pending before civil courts or the debts recovery tribunal(s), as the case may be, criminal cases filed by us in cases of dishonour of cheques or fraud cases, claims against the Bank in relation to erroneous or unauthorised debit from customer accounts, wrongful credit or dishonour of cheques, criminal and labour-related proceedings against the Bank, claims in relation to repossession of assets by the Bank, proceedings initiated under the SARFAESI Act, claims for refund of business losses and damages, consumer claims for deficiency in service, claims involving forgery of documents, alleged frauds, claim for increased rent, suits claiming compensation, damages for termination from service, claims alleging breach of regulatory and statutory provisions, directions, administrative lapses and suits for setting aside recovery proceedings initiated by the Bank and tax matters.

Except as disclosed below, the Bank and Subsidiaries are not involved in any pending civil and tax proceedings: (i) which are quantifiable and exceed ₹ 1,850 million (being nearly 1% of the consolidated profit after tax for the Bank for Financial Year 2018); or (ii) which the Bank believes could have a material adverse effect on the business of the Bank on a consolidated basis. Further, all notices involving the Subsidiaries, which are subsisting or in respect of which fines or penalties have been paid have been disclosed. Accordingly, we have not disclosed any civil and tax proceedings involving the Bank and Subsidiaries: (i) which are quantifiable and are below ₹ 1,850 million (being 1% of the consolidated profit after tax for the Bank for Financial Year 2018); or (ii) which the Bank believes does not have a material adverse effect on the business of the Bank on a consolidated basis. Further, except as stated below, there are no: (a) outstanding criminal litigation against the Bank and its Subsidiaries; (b) inquiries, inspections or investigations under the Companies Act against the Bank and its Subsidiaries in the last three years; (c) prosecutions filed against, fines imposed on, or compounding of offences by the Bank or its Subsidiaries in the last three years under the Companies Act; or (d) any litigation or legal action pending or taken against the Promoter taken by any Ministry, Department of the Government or any statutory authority in the last three years.

We are involved in a number of legal proceedings in the ordinary course of our business, including certain spurious or vexatious proceedings with significant financial claims present on the face of the complaint but that we believe lack any merit based on the historical dismissals of similar claims. Accordingly, we believe there are currently no legal proceedings, which if adversely determined, might materially affect our financial condition or the results of our operations.

Litigations involving the Bank

Civil Litigation

1. The Bank has initiated arbitration proceedings pursuant to an arbitration clause under the Memorandum of Understanding dated December 11, 2000 ("**MoU**") executed between the Bank and Mangla Capital Services Limited ("**Broker**"), claiming ₹ 3.2 billion together with a further interest at rate of 26.07% per annum on ₹ 840 million under the MoU which entitled the Bank to be indemnified by the Broker for any losses, damages, expenses that are incurred by the Bank on any breach or non-performance by the Broker of any of the obligations under the MoU. The Broker has filed a statement of counter claim against the Bank, claiming ₹ 2.17 billion for loss incurred on business income, loss of goodwill and reputation in response to the claim filed by the Bank before the arbitrator. The matter is currently pending.

2. The Bank has filed an Original Application ("**OA**") before the Debt Recovery Tribunal at New Delhi against Multiwal Pulp and Board Mills Private Limited ("**Multiwal**") for recovery of a sum of ₹ 437 million along with future interest during the pendency of the suit. In response thereto, Multiwal has filed a counter claim involving an amount of ₹ 3,541.60 million on account of (i) alleged financial losses caused due to alleged illegal classification of the account as non performing asset; (ii) loss of goodwill and reputation and (iii) undue harassment or mental agony and grant during the pendency of the suit, future interest at the rate of 24% on the said amount from the date of filing of the counter-

claim till the date of payment of the said amount. The matter is currently pending before the Debt Recovery Tribunal, Delhi.

3. Bottle Samrat Private Limited ("**Customer**") filed a complaint ("**Complainant**") before the National Consumer Redressal Commission ("**NCRC**") against the Bank claiming an amount of ₹ 2,762.5 million, i.e. ₹ 262.5 million towards value of dishonoured cheques, damages of ₹ 1,000 million for loss of business and compensation of ₹ 1,500 million on account of mental agony and harassment. The Complainant alleged that the officials of the Bank had erroneously dispatched certain dishonoured cheques to the drawer of such cheques instead of the beneficiary. The NCRC dismissed the complaint. The Customer has filed an appeal before the Supreme Court. The matter is currently pending.

Tax Proceedings

Other than as disclosed below we receive show cause notices from tax authorities in our ordinary course of business.

Direct tax

1. The Assistant Commissioner of Income Tax, Mumbai, the assessing officer ("**AO**") issued assessment orders in respect of the Bank's income for various assessment years demanding a cumulative amount of ₹ 2,285.50 million due to disallowance under Section 14A of the Income Tax Act, 1961. The matters are currently pending at various stages of adjudication.

Indirect tax

1. The Department of Revenue, Service tax ("**Authority**") issued a show cause notice against the Bank alleging evasion of payment of service tax, particularly in connection with the aggregate net profit on the foreign exchange transactions with respect to various periods. The Bank refuted the claim of the Authority and submitted, among others, that the Bank has discharged its service tax liability. Subsequently, the Commissioner of Service Tax – V confirmed the claim of the Authority by its order ("**Order**") and directed the recovery of an amount of ₹ 2,314.20 million along with other sums due including interest payable and penalty levied. The Bank has filed an appeal against the Order before the Customs, Central Excise and Service Tax Appellate Tribunal. The matter is currently pending.

2. The Department of Revenue, Service tax ("**Authority**") issued a show cause notice alleging wrongful utilization of CENVAT credit for payment of service tax liability on account of short reversal of CENVAT credit by the Bank in respect of interest on cash credit, overdraft and bill discounting facilities with respect to various periods. The Bank refuted the claim of the Authority. Subsequently, the Commissioner of Service Tax – V confirmed the claim of the Authority by its order ("**Order**") and directed the recovery of an amount of ₹ 1,938.30 million along with other sums due including interest payable and penalty levied. The Bank has filed an appeal against the Order before the Customs, Central Excise and Service Tax Appellate Tribunal. The matter is currently pending.

Criminal Litigation

145 criminal cases have been filed against the Bank, its Directors, the managers of its branches and its employees, in relation to alleged violations arising in the course of our business operations under, among others, the Indian Penal Code, 1860 and the Negotiable Instruments Act, 1881. These matters are currently pending at various stages of adjudication.

Recent SEBI action

On February 23, 2018, SEBI passed an order against our Bank ("**SEBI Order**") in relation to leakage of unpublished price sensitive information ("**UPSI**") pertaining to the financial results of our Bank for the quarters ended December 31, 2015 and the quarter ended June 30, 2017 in various private WhatsApp groups ahead of our Bank's official intimation to the relevant stock exchanges. Pursuant to the SEBI Order, SEBI directed our Bank to observe the following: (i) to strengthen its processes / systems / controls forthwith to ensure that such instances of leakage of unpublished price sensitive information do not recur in future, (ii) to submit a report on: (a) the present systems and controls and how the present systems and controls have been strengthened, (b) details of persons who are responsible for monitoring such systems, and (c) the periodicity of monitoring. Further, SEBI directed our Bank to conduct an internal inquiry into the leakage of unpublished price sensitive information relating to its financial figures including non-performing asset results and take appropriate action against those responsible for the same, in accordance with the applicable law. The scope of such inquiry included determination of the possible role of following persons in relation to the aforesaid leakage of UPSI: (i) persons / members of committees involved in generation of the original data for the purpose of determination of key figures pertaining to financial figures including gross non-performing assets, (ii) persons involved in the consolidation of the figures for the financial results, (iii) persons involved in the preparation of board notes and presentations, (iv) persons involved in dissemination of information relating to financial results in the public domain, and (v) any other persons who had access to the information. SEBI directed our Bank to complete the inquiry within a period of three months from the date of the SEBI Order and thereafter, file a report with SEBI in this regard within a further period of seven days. In accordance with the SEBI Order, our Bank filed the reports of the independent agencies with the SEBI on May 30, 2018. See "Risk Factors - *Any failure or material weakness of our internal control system could cause significant errors, which may have a materially adverse effect on our reputation, business, financial position or results of operations*." On page 52.

Litigation involving our Directors

Certain cases have been filed against some of our Directors in their capacity as directors of other companies. These matters are currently pending at various stages of adjudication.

Litigation involving our Subsidiaries

Various customers and employees of our Subsidiaries have filed criminal cases against our Subsidiaries and their directors and employees, in relation to alleged violations arising in the course of their business operations, before various fora, including the labour tribunals. Additionally, in the ordinary course of business our Subsidiaries are subject to penalties and warnings from various government authorities.

Inquiries, inspections or investigations under Companies Act against the Bank or its subsidiaries in the last three years

HDB Financial Services Limited ("HDB FSL")

The Office of the Registrar of Companies, Ministry of Corporate Affairs, Mumbai ("**ROC**") issued a show cause notice dated September 20, 2016 (the "**SCN**") to Atlas Documentary Facilitators Company Private Limited ("**Atlas**") alleging that Atlas had failed to comply with Sections 134 and 135 of the Companies Act, 2013 along with the rules made thereunder and the circulars issued in respect of corporate social responsibility expenditure ("**CSR Expenditure**"). Under a scheme of amalgamation approved by the Bombay and Gujarat High Courts, two associate companies, Atlas and HBL Global Private Limited have been amalgamated with HDB FSL with effect from December 1, 2016. The ROC, through this SCN, inquired why action should not be taken against the Directors or the officers in default of Atlas for not complying with the CSR Expenditure related requirements and failure to disclose such non-compliance in the Board of Directors' Report for the Fiscal Year 2015. Atlas, by its reply dated September 29, 2016 ("**Reply**"), stated that the non-compliance was only due to different interpretations of the law and undertook to make the necessary CSR expenditure. Atlas (now HDB FSL) has filed a compounding application under Section 441 of the Companies Act.

Prosecutions filed against, fines imposed on, or compounding of offences by the Bank or its Subsidiaries in the last three years under the Companies Act

HDB Financial Services Limited ("HDB FSL")

See "Legal Proceedings - *Inquiries, inspections or investigations under Companies Act against the Bank or its subsidiaries in the last three years*" on page 226.

Litigation or legal action pending or taken against the Promoter taken by any Ministry, Department of the Government or any statutory authority in the last three years

Housing Development Finance Corporation Limited ("Corporation")

1. The Corporation is involved in a number of legal proceedings, including certain outstanding disputes with the Indian tax authorities in the ordinary course of its business. There are currently no legal proceedings involving the Corporation which, if adversely determined, might materially affect the Bank's financial condition or results of operations.

2. The Supreme Court of India by way of an order dated July 22, 2015, directed the Corporation to pay a penalty of ₹ 75,000 to SEBI for an inadvertent delay in filing a report under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997. This pertained to the acquisition of equity shares on a preferential basis of Hindustan Oil Exploration Company Limited ("**HOECL**") in 1997, which resulted in the Corporation holding 10.92% of the voting rights of HOECL. The Corporation has paid the penalty and has therefore settled the issue.

Other matters

As a listed banking company in India and operating in a highly regulated industry in India, we receive, from time to time, various communications, including information requests and notices, from regulators, such as the SEBI, RBI and the Enforcement Directorate under various applicable laws. For further information, see "Risk Factors - *Foreign investment in our shares may be restricted due to regulations governing aggregate foreign investment in the Bank's paid-up Equity Share capital*", "Risk Factors - *We have previously been subject to penalties imposed by the RBI. Any regulatory investigations, fines, sanctions, and requirements relating to conduct of business and financial crime could negatively affect our business and financial results, or cause serious reputational harm*" and "Supervision and Regulation - *Penalties*" on pages 48, 49 and 154, respectively.

Defaults in respect of dues payable:

The Bank has no outstanding defaults in relation to statutory dues payable, dues payable to holders of any debentures (including interest thereon) or dues in respect of deposits (including interest thereon) or any defaults in repayment of loans from any bank or financial institution (including interest thereon).

Material Frauds

The Bank has a Fraud Monitoring Committee which monitors and reviews all frauds against the Bank involving an amount of ₹ 10 million or more. The objectives of the Fraud Monitoring Committee are the effective detection of frauds and immediate reporting of the frauds and actions taken against the perpetrators of frauds to the concerned regulatory and enforcement agencies.

In the last three years, the acts of material frauds, i.e. the act of frauds involving an amount of ₹ 10.00 million or more, against the Bank are as follows:

Sr. No.	Details of the fraud	Amount Involved (In ₹ million)	Actions taken by the Bank
1	Case of misappropriation and diversion of funds by M/s. Manoram Hospital and its proprietors Dr. Amitanand Ajgaonkar and Dr. Abhinnya Ajgaonkar.	83.90	The case was reported to the RBI on May 20, 2015 and a police complaint has been filed in respect thereof. An original application was filed for the attachment of one of the mortgaged properties before DRT-III, Mumbai, wherein, pursuant to the consent terms being filed, the proprietors of the M/s. Manoram Hospital have undertaken to pay an amount of ₹ 36 million as settlement. The Bank has recovered an aggregate amount of ₹ 74.0 million.
2	Case of loans purportedly taken on the basis of fraudulent land documents, by Gain Chand Suresh Kumar	213.40	The case was reported to RBI on July 16, 2015 and criminal complaint and FIR was filed with the police station at Jind. The case was then taken over by the Economic Offences Wing, where the investigation is

Sr. No.	Details of the fraud	Amount Involved (In ₹ million)	Actions taken by the Bank
	and Jindal Enterprises and V K Enterprises.		currently ongoing. The suspects in the case have been arrested. The Bank has also initiated appropriate disciplinary action against the concerned staff.
3	Case of cheques being cleared by employees of the Bank, beyond the signing authority provided.	124.00	The case was reported to RBI on July 21, 2015. The Bank received a notice on June 22, 2015 by the Economic Offences Wing, to be present at proceedings concerning misappropriation of funds of Homestead Infrastructure Development Private Limited by Manoj Shrivastava, a director of the company. The case is being prosecuted under Sections 237, 353 and 420 of the Indian Penal Code, 1860, before the High Court at Chandigarh. The accused persons have deposited ₹ 50 million till date.
4	Case of manipulation of books of accounts, misappropriation and acts of willful default by Shree Shyam Pulp and Board Mills Limited	246.30	The case was reported to RBI on October 23, 2015. Based on the reports of the forensic audit, lenders' engineer inspection and stock audit conducted by the consortium lenders, of which the Bank was a part, the account of the accused was classified as a fraud due to the reports indicating diversion of funds, misappropriation and acts of default. The Bank has issued a notice under Section 13(2) of the SARFAESI Act. 2002 initiating recovery proceedings. The bidding process for various mortgaged properties is ongoing. A joint compliant has been filed with the Central Bureau of Investigation, whose investigation is ongoing. The Bank has recovered an amount of ₹ 0.2 million till date.
5	Case of misappropriation of cash by personnel of M/s. Scientific Securities Management Services Private Limited, one of the cash-in-transit agencies employed by the Bank	20.47	The case was reported to RBI on January 16, 2016 and an FIR was filed on the day that the fraud was committed. The entire amount has been recovered by the Bank and all accused have been arrested. The Bank is also conducting internal enquiry to assess staff accountability and process gaps.
6	Case of loans availed by forged/fabricated documentation by a borrower, Kailash Yadav along with ten others	15.21	The case was reported to RBI on February 9, 2016 and a police complaint has been filed in this matter, pursuant to which five of the accused have been arrested and the police has filed the charge sheet. The Bank has recovered an amount of ₹ 3.8 million.
7	Case of balance in accounts was fraudulently managed by employees of the Bank at Bhagalpur Branch, Bihar	18.68	The case was reported to RBI on March 5, 2016. A police complaint has been filed with the local police station. The police investigation is in progress and internal investigation against the employee is ongoing. The Bank has written off an amount of ₹ 11 million The Bank has recovered an amount of ₹ 1.07 million.
8	Case of funds collected from customers by offering dubious investment products by Zaheer Khan, a relationship manager with the Bank.	79.97	The case was reported to RBI on March 14, 2016. A police complaint has been filed against the accused, Zaheer Khan, which is under investigation. The entire amount has been recovered and returned to the defrauded customers.

Sr. No.	Details of the fraud	Amount Involved (In ₹ million)	Actions taken by the Bank
9	Cheque drawn by LIC Housing Finance Limited was fraudulently encashed by way of alteration	11.10	The case was reported to RBI on June 7, 2016. On a criminal complaint filed by the Bank. The accused persons had been arrested and detained in judicial custody. The Bank has recovered an amount of ₹ 2.89 million.
10	Loans availed based on forged/fabricated land documents by Ramandeep Kaur and eleven others.	64.43	The case was reported to RBI on June 28, 2016 and an FIR has been registered against the twelve customers and the relationship manager, Chandan Madan. Some of the accused had approached the High Court at Chandigarh for bail, pursuant to which the High Court has forced a special investigation team. The Bank has investigated the Bank employees and the employment of the relationship manager has been terminated. The bank has also initiated filing of insurance claim.
11	The same property was mortgaged by M/s Balaji Enterprises with the Bank and Indian Bank, a public sector bank.	12.14	The case was reported to RBI on July 19, 2016. A police complaint has been filed against M/s Balaji Enterprises and the partners of the firm. The investigation is currently ongoing. The Bank has filed a petition wherein the court has directed the police to register the first information report. There has been no recovery in this case.
12	Case of used car loans being availed wherein registration numbers pertaining to two wheelers were fraudulently used by Sanjiv kumar and thirty one others	12.7	The case was reported to RBI on July 20, 2016. An FIR has been registered with the local police station. The investigation is ongoing. The Bank has filed the insurance claim. An amount of ₹ 2.3 million has been recovered by the Bank.
13	Case of misappropriation and diversion of funds by Indian Technomac Company Limited	1,279.70	The case was reported to RBI on August 8, 2016. Indian Technomac Company Limited ("**ITCL**") was extended working capital credit facilities under a consortium arrangement of an amount of ₹ 650 million and an ad-hoc non fund base limit of ₹ 750 million. The account was declared on NPA on June 2, 2013. A joint recovery suit, proceedings under the SARFESI Act, 2006, and the Negotiable Instruments Act, were initiated against ITCL. On a forensic audit of ITCL, the following issues were brought to light, including, false beneficiaries of inland letters of credit issued, payment of letters of credit routed back to ITCL, no actual movement of stock, substantial transfer of funds between ITCL and its subsidiaries and a clear misappropriation of funds. All proceedings are currently pending. There has been no recovery in this case.
14	Case of cash shortage in branch vault and ATM attached to the branch at Naharlagun, Arunachal Pradesh	34.29	The case was reported to the RBI on January 7, 2017. A police complaint has been filed with the local police station against, amongst others, Rituparna Gohain, the erstwhile branch manager, who is deceased. The investigation is ongoing. The Bank has recovered an amount of ₹ 23.9 million by way of its insurance claim.

Sr. No.	Details of the fraud	Amount Involved (In ₹ million)	Actions taken by the Bank
15	Case of fraud perpetrated by encashing a pay order meant for repayment of loan and availing the loan based on fraudulent documents	15.5	The case was reported to RBI on April 10, 2017. The Bank has filed a police complaint with police station in Ludhiana. The investigation is ongoing. The Bank has also taken disciplinary action against the delinquent staff involved. There has been no recovery in this case.
16	Case of used car loan being obtained based on fabricated documents	18	The case was reported to the RBI on April 12, 2017 The bank has initiated proceedings, under the Payment of Settlement Act and the valuers involved during the process of approval of the loan have been issued show-cause notices. The Bank has recovered an amount of ₹ 7.2 million as settlement and the balance amount of ₹ 10.8 million has been written off by the Bank.
17	Case of certain companies and their directors conspiring to procure loans and other products in fictitious names and identities.	10.7	The case was reported to RBI on June 6, 2017. The Bank filed an FIR against M/s VBMCS Manpower International, M/s VBMCS Sales Private Limited and M/s Glink Infra Private Limited. The Bank has recovered an amount of ₹ 9 million. All loan accounts and credit cards have been settled and closed. There may not be any further recovery in this case.
18	Case of amounts paid for credit card payments being recovered by Raju Nayikuni and three others	25	The case was reported to RBI on June 16, 2017. The Bank filed an FIR and two persons have been arrested in this regard. The Bank has placed a lien on the fixed deposit accounts on the two of the accused. The internal investigation of the Bank is also ongoing. The Bank has recovered an amount of ₹ 12.5 million.
19	Case of robbery of van carrying cash of the Bank.	11.80	The case was reported to RBI on November 16, 2017 and an FIR has been filed by the Bank. The police have arrested three persons and the entire amount has been recovered by the Bank.
20	Case of removal of cash from ATM by Shivkumar Sannalah & Gangadhar M. N.	10.59	The case was reported to RBI on November 6, 2017. The Bank has filed an FIR against the accused persons and has recovered the entire amount.
21	Case of loan availed, based on fabricated documents by and non - execution collateral documents, by Regent India Group.	14.86	The case was reported to RBI on November 9, 2017. The Bank has filed a police complaint against Regent India Group, Dharmender Trading Company, Regent Trading company and Yamuna Traders. For cheating and fraud against the Bank by furnishing fabricated documents during loan approval process. There has been no recovery in this case. The Bank has made suitable provisions.
22	Case of agricultural loans availed based on fabricated documents by Lateef Ahmed and six others	40.09	The case was reported to RBI on November 21, 2017. The Bank has filed a police complaint against the seven persons accused and has started internal disciplinary proceedings against the staff involved. There has been no recovery in this case.
23	Case of embezzlement of cash by Ankit Ghate, a teller at a branch in Madhya Pradesh.	12.81	The case was reported to RBI on December 21, 2017. The Bank is in the process of filings a police complaint and has initiated internal disciplinary proceedings against the accrued and other staff of the Bank for their

Sr. No.	Details of the fraud	Amount Involved (In ₹ million)	Actions taken by the Bank
			identified lapses. The Bank has recovered an amount of ₹ 2.53 million.
24	Consortium lending cases, reported as fraud in terms of RBI Master Direction dated July 1, 2016 on Fraud Reporting ("**Master Direction on Fraud**")	130.1	i) M/s Sterling Biotech ("**Perpetrator**") (The case was reported to RBI on January 5, 2018). ii) PMT Machines Limited ("**Affiliate**") (The case was reported to RBI on January 5, 2018) An FIR has been registered against the Perpetrator for causing wrongful loss to the banks under a consortium led by Andhra Bank. The Bank is not a part of such consortium. In terms of the Master Direction on Fraud, the Bank is required to report the account of the Perpetrator and any other companies named in the FIR (the Affiliate), to whom we have exposure, as fraud. Both accounts have been declared as non-performing assets. The Bank has recovered an amount of ₹ 270 million and has filed recovery suits before the Debt Recovery Tribunals at Mumbai and Pune.
25	Case of cheating and forgery by Kanishk Gold Private Limited by way of diversion of funds	250.00	The case was reported to RBI on February 6, 2018. On a forensic audit conducted on the accused company, it was revealed that the company had misrepresented financial statements from 2009 to 2017 and disposed securities without the knowledge of the Bank. The State Bank of India, as leader of the consortium of which the Bank is a part, has issued notice under Section 13(2) of the SARFAESI Act and a complaint has been filed with theJoint Director (Policy), Central Bureau of Investigation.
26	Case of cheating and forgery by Bajrangi Gupta and Saurav Gupta using fake KYC documents	11.88	The case was reported to RBI on February 14, 2018. The accused persons set up a company by the name of SNGT E Solutions Private Limited, whereby they availed auto loans, credit cards and consumer durable loans based on fake voter identification cards. The Bank has filed a complaint with the Senior Superintendent of Police, Noida. The Bank has recovered an amount of ₹ 0.7 million.
27	Case of cheating and forgery by Shaik Abdul Qayroom and forty one others using fake KYC documents and statement of accounts	20.01	The case was reported to RBI on February 14, 2018. The accused persons used fake AADHAR cards and falsified statement of accounts to obtain loans and credit cards from the Bank. The Bank has filed a complaint with the police station at Kadapa against all the accused persons. The Bank has recovered an amount of ₹ 9.54 million.
28	Case of cheating and forgery by Gangappa, Geo-chem Laboratories Private Limited ("**GGLPL**") and twenty three others using fabricated stock and book debt statements	129.79	The case was reported to RBI on February 15, 2018. The accused persons procured loans from the Bank based on stock in godowns while the Bank appointed GGLPL as a collateral manager. On investigations it was found that the stock and book debt statements were fabricated and the fraud was committed in collusion with GGLPL. The Bank has filed a police complaint against all the accused persons. There has been no

Sr. No.	Details of the fraud	Amount Involved (In ₹ million)	Actions taken by the Bank
			recovery in this case.
29	Case of cheating and forgery by Nathella Sampath Jewellery Private Limited by way of diversion of funds	412.2	The case was reported to RBI on March 8, 2018. On a forensic audit conducted on the accused company, it was revealed that the company had falsified records, disposed stocks, misrepresented financial statements from 2010 to 2017 and disposed securities without the knowledge of the Bank. The State Bank of India, as leader of the consortium of which the Bank is a part, has issued notice under Section 13(2) of the SARFAESI Act and a complaint has been filed with theJoint Director (Policy), Central Bureau of Investigation. The Bank has recovered an amount of ₹ 0.1 million.
30	Case of cheating and forgery by Mangi Lal Puri Lal and twenty nine others by fraudulently removing the Bank's charge over mortgaged properties	19.59	The case was reported to RBI on March 20, 2018. During one of the Bank's mutation checks of all mortgaged properties, it was noticed that the Bank's charge over certain properties was removed and 'Nil Outstanding Confirmation' was issued fraudulently. The employee responsible for sourcing and servicing of these loans has been suspended pending further investigation. The Bank has also filed a police complaint before the police station at Jhalawar. The Bank has recovered an amount of ₹ 5.69 million in this case.
31	Case of cheating and forgery by Praseetha Rahul, Mariyamma Cyriac and Rahul Cyriac by selling vehicles without closure of the vehicle loan	36.18	The case was reported to RBI on May 10, 2018. The accused persons obtained loans from the Bank to purchase certain vehicles. Subsequently, it was found that the accused persons had disposed the vehicles without closure of the loans or taking obtaining a 'no-objection certificate' from the Bank. The Bank has filed a complaint before the local police station. The Bank has recovered an amount of ₹ 3.06 million in this case.
32	Case of cheating and forgery by Maiia Commodity Management Private Limited, National Collateral Management Limited and 83 others by misreporting of stock stored as security	343.10	The case was reported to RBI on June 11, 2018. The accused persons were among the collateral managers appointed by the Bank, who misreported some of the stocks which were stored as security for loans offered to farmers and small traders. The Bank is in the process of filing a police complaint against the borrowers and the collateral managers. The Bank has recovered an amount of ₹ 69.92 million in this case.

STATUTORY AUDITORS

S. R. Batliboi & Co., LLP, Chartered Accountants, are our current statutory auditors as required by the Companies Act and in accordance with the guidelines issued by the ICAI.

The Audit Committee of the Bank and the Board have approved the appointment of S. R. Batliboi & Co. LLP, Chartered Accountants, as the statutory auditors of the Bank for Fiscal Year 2019 by their resolutions dated Janaury 18, 2018 and January 19, 2018, respectively. The Shareholders of the Bank have approved the appointment of S. R. Batliboi & Co. LLP, Chartered Accountants, as the statutory auditors of the Bank at the AGM held on June 29, 2018.

The limited reviewed standalone interim financial results for the three month period ended June 30, 2018 included in this Preliminary Placement Document have been reviewed by S. R. Batliboi & Co., LLP, Chartered Accountants, our Auditors. The financial statements of the Bank included in this Preliminary Placement Document, for the Fiscal Years ended March 31, 2018, 2017 and 2016 have been audited by Deloitte Haskins and Sells, Chartered Accountants, our erstwhile statutory auditors.

The peer review certificate of S. R. Batliboi & Co. LLP, Chartered Accountants, was valid for a period of three years. S. R. Batliboi & Co. LLP, Chartered Accountants, is subject to an ongoing peer review process by the peer review board of the ICAI and the process for renewal of peer review certificate has been initiated.

GENERAL INFORMATION

- The Bank was incorporated on August 30, 1994 under the Companies Act, as HDFC Bank Limited and received a certificate of commencement of business on October 10, 1994. We received a licence to commence banking operations in India from the RBI on January 5, 1995. Further, the RBI by its letter dated February 10, 1995, included us in the second schedule of the RBI Act with effect from January 25, 1995 and a corresponding notification was published in the Official Gazette of India (Part III – Section 4) on January 23, 1995. Our registered office is located at HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai 400 013.
- Our Equity Shares were listed on BSE and NSE on November 8, 1995.
- The Issue was authorised and approved by the Board of Directors on December 20, 2017 and approved by the shareholders at an extra-ordinary general meeting held on January 19, 2018.
- We have received in-principle approval to list the Equity Shares to be issued pursuant to the Issue, on BSE and NSE on July 27, 2018.
- Copies of our Memorandum and Articles of Association will be available for inspection between 10:00 am to 4:00 pm on any weekday (except Saturdays and public holidays) at our Registered and Corporate Office.
- Pursuant to the approval accorded by the Board of Directors at its meeting held on December 20, 2017, approval accorded by the shareholders of the Bank through their resolution dated January 19, 2018, and receipt of relevant regulatory approvals, the Bank has undertaken a preferential allotment of 39,096,817 Equity Shares to HDFC Limited, at a price of ₹ 2,174.09 per Equity Share, on July 17, 2018, aggregating to ₹ 84,999,998,871.53.
- Pursuant to the approval accorded by the Board of Directors at its meeting held on December 20, 2017, approval accorded by the shareholders of the Bank through their resolution dated January 19, 2018, and receipt of relevant regulatory approvals, the Bank is simultaneously conducting an offering of Equity Shares in the form of American Depository Receipts ("**ADRs**") each representing three Equity Shares as part of the ADR Offering. The Bank, at its discretion, may decide to withdraw the ADR Offering at any time up to the date of pricing of the ADR Offering
- There has been no material change in our financial or trading position since June 30, 2018, the date of the latest financial results prepared in accordance with Indian GAAP and Regulation 33 of the SEBI Listing Regulations included in this Preliminary Placement Document, except as disclosed herein.
- The Bank's statutory auditors are S. R. Batliboi & Co., LLP, Chartered Accountants. The limited reviewed standalone interim financial results for the three month period ended June 30, 2018 included in this Preliminary Placement Document have been reviewed by S. R. Batliboi & Co., LLP, Chartered Accountants. The financial results of the Bank for the Fiscal Years ended March 31, 2018, 2017 and 2016 included in this Preliminary Placement Document, have been audited by Deloitte Haskins and Sells, Chartered Accountants, our erstwhile statutory auditors.
- Except as disclosed in this Preliminary Placement Document, there are no litigation or arbitration proceedings against or affecting us, or our assets or revenues, nor are we aware of any pending or threatened litigation or arbitration proceedings, which are or might be material in the context of this Issue.
- The Floor Price is ₹ 2,179.13 per Equity Share, calculated in accordance with the provisions of Chapter VIII of the SEBI ICDR Regulations, as certified by S. R. Batliboi & Co., LLP, Chartered Accountants, the statutory auditors of the Bank. The Bank may offer a discount of not more than 5.00% on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations.
- The Compliance Officer with respect to the Issue is:

  Santosh Haldankar, Vice President Legal & Company Secretary
  Tel: (91 22) 6652 1000; **Fax**: (91 22) 2496 0739;
  Address: HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai 400013
  E-mail: santosh.haldankar@hdfcbank.com

FINANCIAL STATEMENTS

S. No.	Financial Statements
1.	Limited reviewed standalone interim financial results for the three month period ended June 30, 2018
2.	Audited standalone financial statements for the year ended March 31, 2018
3.	Audited standalone financial statements for the year ended March 31, 2017
4.	Audited standalone financial statements for the year ended March 31, 2016
5.	Audited consolidated financial statements for the year ended March 31, 2018
6.	Audited consolidated financial statements for the year ended March 31, 2017
7.	Audited consolidated financial statements for the year ended March 31, 2016

Limited Review Report

Review Report to
The Board of Directors
HDFC Bank Limited

1. We have reviewed the accompanying statement of unaudited standalone financial results of HDFC Bank Limited (the "Bank") for the quarter ended June 30, 2018 (the "Statement"), being submitted by the Bank pursuant to the requirement of Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The disclosures relating to "Pillar 3 under Basel III Capital Regulations", "Leverage Ratio" and "Liquidity Coverage Ratio" as have been disclosed on the Bank's website and in respect of which a link has been provided in aforesaid Statement have not been reviewed by us. This Statement is the responsibility of the Bank's management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.

2. We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of Bank personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

3. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited standalone financial results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters.

For **S.R. BATLIBOI & CO. LLP**
Chartered Accountants
ICAI Firm registration number: 301003E/E300005

per **Sudhir Soni**
Partner
Membership No.: 41870

Place: Mumbai
Date: July 21, 2018

HDFC BANK LIMITED

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2018

(₹ in lacs)

	Particulars	Quarter ended 30.06.2018 Unaudited	Quarter ended 31.03.2018 Audited (Refer note 4)	Quarter ended 30.06.2017 Unaudited	Year ended 31.03.2018 Audited
1	Interest Earned (a)+(b)+(c)+(d)	2254898	2132108	1866872	8024135
	a) Interest / discount on advances / bills	1739073	1666337	1448606	6266179
	b) Income on Investments	458929	422264	389297	1622237
	c) Interest on balances with Reserve Bank of India and other inter bank funds	33238	19681	10820	52388
	d) Others	23658	23826	18149	83331
2	Other Income	381806	422858	351666	1522031
3	**Total Income (1)+(2)**	**2636704**	**2554966**	**2218538**	**9546166**
4	Interest Expended	1173541	1066337	929798	4014649
5	Operating Expenses (i)+(ii)	598388	605063	536746	2269036
	i) Employees cost	181051	174120	165751	680574
	ii) Other operating expenses (Refer Note 9)	417337	430943	370995	1588462
6	**Total Expenditure (4)+(5) (excluding Provisions & Contingencies)**	**1771929**	**1671400**	**1466544**	**6283685**
7	**Operating Profit before Provisions and Contingencies (3)-(6)**	**864775**	**883566**	**751994**	**3262481**
8	Provisions (other than tax) and Contingencies	162937	154110	155876	592749
9	Exceptional Items	-	-	-	-
10	**Profit / (Loss) from Ordinary Activities before tax (7)-(8)-(9)**	**701838**	**729456**	**596118**	**2669732**
11	Tax Expense	241694	249528	206734	921057
12	**Net Profit / (Loss) from Ordinary Activities after tax (10)-(11)**	**460144**	**479928**	**389384**	**1748675**
13	Extraordinary items (net of tax expense)	-	-	-	-
14	**Net Profit / (Loss) for the period (12)-(13)**	**460144**	**479928**	**389384**	**1748675**
15	Paid up equity share capital (Face Value of ₹ 2/- each)	52083	51902	51478	51902
16	Reserves excluding revaluation reserves (as per balance sheet of previous accounting year)				10577601
17	**Analytical Ratios**				
	(i) Percentage of shares held by Government of India	Nil	Nil	Nil	Nil
	(ii) Capital Adequacy Ratio	14.6%	14.8%	15.6%	14.8%
	(iii) Earnings per share (₹)				
	(a) Basic EPS before & after extraordinary items (net of tax expense) - not annualized	17.7	18.5	15.2	67.8
	(b) Diluted EPS before & after extraordinary items (net of tax expense) - not annualized	17.5	18.3	15.0	66.8
	(iv) NPA Ratios				
	(a) Gross NPAs	953862	860697	724293	860697
	(b) Net NPAs	290710	260102	252821	260102
	(c) % of Gross NPAs to Gross Advances	1.33%	1.30%	1.24%	1.30%
	(d) % of Net NPAs to Net Advances	0.41%	0.40%	0.44%	0.40%
	(v) Return on assets (average) - not annualized	0.44%	0.50%	0.46%	1.93%

Regd. Office : HDFC Bank Ltd., HDFC Bank House, Senapati Bapat Marg, Lower Parel (West), Mumbai - 400013.

Segment information in accordance with the Accounting Standard on Segment Reporting (AS 17) of the operating segments of the Bank is as under:

(₹ in lacs)

	Particulars	Quarter ended 30.06.2018	Quarter ended 31.03.2018	Quarter ended 30.06.2017	Year ended 31.03.2018
		Unaudited	**Audited (Refer note 4)**	**Unaudited**	**Audited**
1	**Segment Revenue**				
a)	Treasury	528532	513629	474088	1984137
b)	Retail Banking	2040059	1957522	1759229	7384305
c)	Wholesale Banking	1237905	1096443	937223	4150413
d)	Other Banking Operations	327863	366371	255117	1225914
e)	Unallocated	-	-	-	-
	Total	**4134359**	**3933965**	**3425657**	**14744769**
	Less: Inter Segment Revenue	1497655	1378999	1207119	5198603
	Income from Operations	**2636704**	**2554966**	**2218538**	**9546166**
2	**Segment Results**				
a)	Treasury	5045	24204	45739	154000
b)	Retail Banking	314468	291824	212238	997172
c)	Wholesale Banking	315585	278681	282190	1172051
d)	Other Banking Operations	117238	185253	98107	548790
e)	Unallocated	(50498)	(50506)	(42156)	(202281)
	Total Profit Before Tax	**701838**	**729456**	**596118**	**2669732**
3	**Segment Assets**				
a)	Treasury	30170308	35089438	26570417	35089438
b)	Retail Banking	38606584	37190659	31457133	37190659
c)	Wholesale Banking	34681446	29704057	27984965	29704057
d)	Other Banking Operations	3994672	3759549	3041526	3759549
e)	Unallocated	587899	649728	511265	649728
	Total	**108040909**	**106393431**	**89565306**	**106393431**
4	**Segment Liabilities**				
a)	Treasury	5869806	5534970	3530332	5534970
b)	Retail Banking	62955796	59878546	53718130	59878546
c)	Wholesale Banking	25546051	27028720	19771198	27028720
d)	Other Banking Operations	429847	408150	360425	408150
e)	Unallocated	2472402	2913542	2759448	2913542
	Total	**97273902**	**95763928**	**80139533**	**95763928**
5	**Capital Employed**				
	(Segment Assets-Segment Liabilities)				
a)	Treasury	24300502	29554468	23040085	29554468
b)	Retail Banking	(24349212)	(22687887)	(22260997)	(22687887)
c)	Wholesale Banking	9135395	2675337	8213767	2675337
d)	Other Banking Operations	3564825	3351399	2681101	3351399
e)	Unallocated	(1884503)	(2263814)	(2248183)	(2263814)
	Total	**10767007**	**10629503**	**9425773**	**10629503**

Business Segments have been identified and reported taking into account the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by RBI.

Regd. Office : HDFC Bank Ltd., HDFC Bank House, Senapati Bapat Marg, Lower Parel (West), Mumbai - 400013.

Notes :

1 Statement of Assets and Liabilities as at June 30, 2018 is given below:

(₹ in lacs)

Particulars	As at 30.06.2018	As at 30.06.2017	As at 31.03.2018
CAPITAL AND LIABILITIES	**Unaudited**	**Unaudited**	**Audited**
Capital	52083	51478	51902
Reserves and Surplus	10714924	9374295	10577601
Deposits	80578532	67137605	78877064
Borrowings	12102431	8601170	12310497
Other Liabilities and Provisions	4592939	4400758	4576367
Total	**108040909**	**89565306**	**106393431**
ASSETS			
Cash and Balances with Reserve Bank of India	3958878	3620417	10467047
Balances with Banks and Money at Call and Short notice	1190508	2076642	1824460
Investments	27567865	21610827	24220024
Advances	70864869	58097580	65833309
Fixed Assets	357615	359321	360721
Other Assets	4101174	3800519	3687870
Total	**108040909**	**89565306**	**106393431**

2 The above results have been approved by the Board of Directors at its meeting held on July 21, 2018. The results for the quarter ended June 30, 2018 have been subjected to a "Limited Review" by the Statutory Auditors of the Bank. An unqualified report has been issued by them thereon. The financial results for the quarter ended June 30, 2017 and the year ended March 31, 2018 were subjected to limited review and audit respectively by another firm of chartered accountants.

3 The Bank has followed the same significant accounting policies in the preparation of these financial results as those followed in the annual financial statements for the year ended March 31, 2018.

4 The figures for the quarter ended March 31, 2018 are the balancing figures between audited figures in respect of the financial year 2017-18 and the published year to date figures upto December 31, 2017.

5 During the quarter ended June 30, 2018, the Bank allotted 9067600 shares pursuant to the exercise of options under the approved employee stock option schemes.

6 The Board of Directors of the Bank, at their meeting held on December 20, 2017 had approved the raising of funds aggregating up to ₹ 24,000 crore, of which an amount up to a maximum of ₹ 8,500 crore was approved to be through the issuance of equity shares of face value of ₹ 2/- each pursuant to a preferential issue to Housing Development Finance Corporation Limited and the balance was approved to be through the issuance of equity shares/ convertible securities/ depository receipts pursuant to a Qualified Institutions Placement (QIP)/ American Depository Receipts (ADR)/ Global Depository Receipt (GDR) program. The said raising of funds was approved by the shareholders of the Bank at its Extra Ordinary General meeting held on January 19, 2018. The Bank has received all relevant approvals in this regard. On July 17, 2018, the Bank allotted 39096817 equity shares to Housing Development Finance Corporation Limited at the issue price of ₹ 2,174.09 per equity share (including share premium of ₹ 2,172.09 per equity share), aggregating to ₹ 8,500 crore.

7 In accordance with RBI guidelines, banks are required to make Pillar 3 disclosures including leverage ratio and liquidity coverage ratio under the Basel III Framework. The Bank's Pillar 3 disclosures are available on its website at the following link: http://www.hdfcbank.com/aboutus/basel_disclosures/default.htm. These disclosures have not been subjected to audit or review by the statutory auditors.

8 Other income relates to income from non-fund based banking activities including commission, fees, earnings from foreign exchange and derivative transactions, profit and loss (including revaluation) from investments and recoveries from accounts previously written off.

9 Other operating expenses include commission paid to sales agents of ₹ 737.22 crore (previous period: ₹ 530.21 crore) for the quarter ended June 30, 2018.

10 RBI circular DBR.No.BP.BC.113/21.04.048/2017-18 dated June 15, 2018 grants banks an option to spread provisioning for mark to market (MTM) losses on investments held in AFS and HFT categories for the quarter ended June 30, 2018. The circular states that the provisioning for this quarter may be spread equally over up to four quarters, commencing with the current quarter ended June 30, 2018. The Bank has not availed of the said option and has recognised the entire net MTM loss on investments of ₹ 391.04 crore in the current quarter.

11 As at June 30, 2018, the total number of banking outlets and ATMs were 4804 and 12808 respectively.

12 Figures of the previous periods have been regrouped / reclassified wherever necessary to conform to current period's classification.

13 ₹ 10 lac = ₹ 1 million
₹ 10 million = ₹ 1 crore

Place : Mumbai
Date : July 21, 2018

Aditya Puri
Managing Director

Regd. Office : HDFC Bank Ltd., HDFC Bank House, Senapati Bapat Marg, Lower Parel (West), Mumbai - 400013.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HDFC BANK LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of HDFC BANK LIMITED ("the Bank"), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, Accounting Standards prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended, in so far as applicable to banks, other accounting principles generally accepted in India and the Guidelines issued by the Reserve Bank of India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Bank's preparation of the standalone financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, and evaluating the overall presentation of the standalone financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 and the Act in the manner so required and give a true and fair view in conformity with the applicable Accounting Standards and other accounting principles generally accepted in India, of the state of affairs of the Bank as at 31st March, 2018, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act and Section 30 of the Banking Regulation Act, 1949, based on our audit, we report to the extent applicable that:

    a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and found them to be satisfactory.

    b) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank.

c) As explained in paragraph 2 below, the financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by the Branches.

d) 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.

e) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

f) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards prescribed under section 133 of the Act, as applicable.

g) On the basis of the written representations received from the directors of the Bank as at 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as at 31st March, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

h) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank's internal financial controls over financial reporting.

i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Bank has disclosed the impact of pending litigations on its financial position in its standalone financial statements;

   ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

2. We report that during the course of our audit we performed select relevant procedures at 111 branches. Since the Bank considers its key operations to be automated, with the key applications largely integrated to the core banking systems, it does not require its branches, to submit any financial returns. Accordingly our audit is carried out centrally at the Head Office and Central Processing Units, based on the necessary records and data required for the purposes of the audit being made available to us.

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

Porus B. Pardiwalla
Partner
(Membership No. 40005)

Mumbai, 21st April, 2018

ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 1.h under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of HDFC BANK LIMITED (“the Bank”) as at 31st March, 2018 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Bank’s Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the Guidelines issued by the Reserve Bank of India.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

An audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and other applicable regulations. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2018, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No.117365W)

Porus B. Pardiwalla
Partner
(Membership No.40005)

Mumbai, 21st April, 2018

HDFC Bank Limited

Balance Sheet as at March 31, 2018

₹ in '000

	Schedule	As at 31-Mar-18	As at 31-Mar-17
CAPITAL AND LIABILITIES			
Capital	1	**51,90,181**	**51,25,091**
Reserves and surplus	2	**1,05,77,59,776**	**88,94,98,416**
Deposits	3	**7,88,77,06,396**	**6,43,63,96,563**
Borrowings	4	**1,23,10,49,700**	**74,02,88,666**
Other liabilities and provisions	5	**45,76,37,181**	**56,70,93,181**
Total		**10,63,93,43,234**	**8,63,84,01,917**
ASSETS			
Cash and balances with Reserve Bank of India	6	**1,04,67,04,730**	**37,89,68,755**
Balances with banks and money at call and short notice	7	**18,24,46,097**	**11,05,52,196**
Investments	8	**2,42,20,02,416**	**2,14,46,33,366**
Advances	9	**6,58,33,30,908**	**5,54,56,82,021**
Fixed assets	10	**3,60,72,045**	**3,62,67,379**
Other assets	11	**36,87,87,038**	**42,22,98,200**
Total		**10,63,93,43,234**	**8,63,84,01,917**
Contingent liabilities	12	**8,75,48,82,292**	**8,17,86,95,893**
Bills for collection		**42,75,38,250**	**30,84,80,352**
Significant accounting policies and notes to the financial statements	17 & 18		

The schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date. **For and on behalf of the Board**

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005
Mumbai, April 21, 2018

Shyamala Gopinath
Chairperson

Paresh Sukthankar
Deputy Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Aditya Puri
Managing Director

Kaizad Bharucha
Executive Director

Sashidhar Jagdishan
Chief Financial Officer

Bobby Parikh
Keki Mistry
Malay Patel
Partho Datta
Umesh Sarangi
Directors

Statement of Profit and Loss for the year ended March 31, 2018

₹ in '000

	Schedule	Year Ended 31-Mar-18	Year Ended 31-Mar-17
I. INCOME			
Interest earned	13	**80,24,13,550**	**69,30,59,578**
Other income	14	**15,22,03,042**	**12,29,64,990**
Total		**95,46,16,592**	**81,60,24,568**
II. EXPENDITURE			
Interest expended	15	**40,14,64,913**	**36,16,67,334**
Operating expenses	16	**22,69,03,821**	**19,70,33,442**
Provisions and contingencies		**15,13,80,575**	**11,18,27,380**
Total		**77,97,49,309**	**67,05,28,156**
III. PROFIT			
Net profit for the year		**17,48,67,283**	**14,54,96,412**
Balance in Profit and Loss account brought forward		**32,66,89,434**	**23,52,76,891**
Total		**50,15,56,717**	**38,07,73,303**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		**4,37,16,821**	**3,63,74,103**
Proposed dividend [Refer Schedule 18(1)]		**-**	**-**
Tax (including cess) on dividend [Refer Schedule 18(1)]		**-**	**-**
Dividend (including tax/cess thereon) pertaining to previous year paid during the year, net of dividend tax credits		**3,39,05,804**	**(16,909)**
Transfer to General Reserve		**1,74,86,728**	**1,45,49,641**
Transfer to Capital Reserve		**23,55,227**	**31,34,100**
Transfer to/(from) Investment Reserve Account		**(4,42,018)**	**42,934**
Balance carried over to Balance Sheet		**40,45,34,155**	**32,66,89,434**
Total		**50,15,56,717**	**38,07,73,303**
V. EARNINGS PER EQUITY SHARE (Face value ₹ 2 per share)		**₹**	**₹**
Basic		**67.76**	**57.18**
Diluted		**66.84**	**56.43**
Significant accounting policies and notes to the financial statements	17 & 18		

The schedules referred to above form an integral part of the Statement of Profit and Loss.

As per our report of even date. **For and on behalf of the Board**

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005
Mumbai, April 21, 2018

Shyamala Gopinath
Chairperson

Paresh Sukthankar
Deputy Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Aditya Puri
Managing Director

Kaizad Bharucha
Executive Director

Sashidhar Jagdishan
Chief Financial Officer

Bobby Parikh
Keki Mistry
Malay Patel
Partho Datta
Umesh Sarangi
Directors

HDFC BANK LIMITED

Cash Flow Statement for the year ended March 31, 2018

₹ in 000

Particulars	Year Ended 31-Mar-18	Year Ended 31-Mar-17
Cash flows from operating activities		
Profit before income tax	**26,69,72,951**	**22,13,90,750**
Adjustments for :		
Depreciation on fixed assets	90,63,418	83,31,247
(Profit) / loss on revaluation of investments	15,70,448	-87,543
Amortisation of premia on held to maturity investments	35,99,102	17,56,569
(Profit) / loss on sale of fixed assets	3,102	14,735
Provision / charge for non performing assets	5,17,84,408	3,34,43,592
Provision for dimunition in value of investment	3,04,543	-76,417
Floating provisions	-	2,50,000
Provision for standard assets	59,74,259	39,21,811
Dividend from subsidiaries/associates/joint ventures	(24,16,454)	(16,28,640)
Contingency provisions	38,91,829	3,84,640
	34,07,47,606	**26,77,00,744**
Adjustments for :		
(Increase) / decrease in investments	(28,26,99,813)	-17,72,59,533
(Increase) / decrease in advances	(1,08,94,05,183)	-93,31,61,021
Increase / (decrease) in deposits	1,45,13,09,833	97,21,54,643
(Increase) / decrease in other assets	6,32,97,493	-3,87,52,713
Increase / (decrease) in other liabilities and provisions	(12,03,47,372)	22,37,63,890
	36,29,02,564	**31,44,46,010**
Direct taxes paid (net of refunds)	(10,21,61,907)	(7,85,91,989)
Net cash from operating activities	**26,07,40,657**	**23,58,54,020**
Cash flows used in investing activities		
Purchase of fixed assets	(76,99,194)	(1,06,81,751)
Proceeds from sale of fixed assets	95,089	94,269
Investment in subsidiaries/associates/joint ventures	(1,43,331)	(1,06,03,674)
Dividend from subsidiaries/associates/joint ventures	24,16,454	16,28,640
Net cash used in investing activities	**(53,30,982)**	**(1,95,62,516)**
Cash flows from financing activities		
Money received on exercise of stock options by employees	2,72,59,099	2,26,15,161
Increase / (decrease) in borrowings (excluding subordinate debt, perpetual debt and upper Tier II instruments)	41,15,11,034	(9,03,16,657)
Proceeds from issue of Additional Tier I and Tier II Capital Bonds	10,00,00,000	-
Redemption of subordinated debt	(2,07,50,000)	(1,90,84,500)
Dividend paid during the year	(2,83,12,716)	(2,40,83,093)
Tax on dividend	(55,93,088)	(48,07,223)
Net cash (used in) / from financing activities	**48,41,14,329**	**(11,56,76,312)**
Effect of exchange fluctuation on translation reserve	**1,05,872**	**(2,82,622)**
Net increase in cash and cash equivalents	**73,96,29,876**	**10,03,32,571**
Cash and cash equivalents as at April 1st	**48,95,20,951**	**38,91,88,380**
Cash and cash equivalents as at March 31st	**1,22,91,50,827**	**48,95,20,951**

As per our report of even date. **For and on behalf of the Board**

For Deloitte Haskins & Sells *Chartered Accountants*	**Shyamala Gopinath** *Chairperson*	**Aditya Puri** *Managing Director*	**Bobby Parikh** **Keki Mistry** **Malay Patel** **Partho Datta** **Umesh Sarangi** *Directors*
	Paresh Sukthankar *Deputy Managing Director*	**Kaizad Bharucha** *Executive Director*	
P. B. Pardiwalla Partner Membership No.: 40005 Mumbai, April 21, 2018	**Sanjay Dongre** *Executive Vice President (Legal) & Company Secretary*	**Sashidhar Jagdishan** *Chief Financial Officer*	

Schedules to the financial statements

SCHEDULE 1 - CAPITAL

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
Authorised capital		
3,25,00,00,000 (31 March, 2017 : 3,25,00,00,000) Equity Shares of ₹ 2/- each	**65,00,000**	**65,00,000**
Issued, subscribed and paid-up capital		
2,59,50,90,267 (31 March, 2017 : 2,56,25,45,717) Equity Shares of ₹ 2/- each	**51,90,181**	**51,25,091**
Total	**51,90,181**	**51,25,091**

SCHEDULE 2 - RESERVES AND SURPLUS

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Statutory reserve		
Opening balance	**18,37,58,858**	**14,73,84,755**
Additions during the year	**4,37,16,821**	**3,63,74,103**
Total	**22,74,75,679**	**18,37,58,858**
II. General reserve		
Opening balance	**7,16,69,150**	**5,71,19,509**
Additions during the year	**1,74,86,728**	**1,45,49,641**
Total	**8,91,55,878**	**7,16,69,150**
III. Balance in profit and loss account	**40,45,34,155**	**32,66,89,434**
IV. Share premium account		
Opening balance	**28,42,63,301**	**26,17,16,858**
Additions during the year	**2,71,94,009**	**2,25,46,443**
Total	**31,14,57,310**	**28,42,63,301**
V. Amalgamation reserve		
Opening balance	**1,06,35,564**	**1,06,35,564**
Additions during the year	**-**	**-**
Total	**1,06,35,564**	**1,06,35,564**
VI. Capital reserve		
Opening balance	**1,20,00,683**	**88,66,583**
Additions during the year	**23,55,227**	**31,34,100**
Total	**1,43,55,910**	**1,20,00,683**
VII. Investment reserve account		
Opening balance	**4,42,018**	**3,99,084**
Additions during the year	**45,086**	**1,09,506**
Deductions during the year	**(4,87,104)**	**-66,572**
Total	**-**	**4,42,018**
VIII. Foreign currency translation account		
Opening balance	**39,408**	**3,22,030**
Additions/(deductions) during the year	**1,05,872**	**-2,82,622**
Total	**1,45,280**	**39,408**
Total	**1,05,77,59,776**	**88,94,98,416**

SCHEDULE 3 – DEPOSITS

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
A. I Demand deposits		
(i) From banks	**2,72,37,788**	**2,08,06,377**
(ii) From others	**1,16,55,87,962**	**1,13,49,32,192**
Total	**1,19,28,25,750**	**1,15,57,38,569**
II Savings bank deposits	**2,23,81,02,098**	**1,93,57,86,335**
III Term deposits		
(i) From banks	**7,27,75,645**	**5,35,20,609**
(ii) From others	**4,38,40,02,903**	**3,29,13,51,050**
Total	**4,45,67,78,548**	**3,34,48,71,659**
Total	**7,88,77,06,396**	**6,43,63,96,563**
B. I. Deposits of branches in India	**7,84,78,86,299**	**6,39,64,05,854**
II. Deposits of branches outside India	**3,98,20,097**	**3,99,90,709**
	7,88,77,06,396	**6,43,63,96,563**

SCHEDULE 4 – BORROWINGS

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Borrowings in India		
(i) Reserve Bank of India	**13,80,00,000**	**-**
(ii) Other banks	**4,78,48,399**	**2,12,02,156**
(iii) Other institutions and agencies	**34,22,99,500**	**22,45,00,000**
(iv) Upper and lower tier II capital and innovative perpetual debts	**21,10,70,000**	**13,18,20,000**
(v) Bonds and Debentures (excluding subordinated debt)	**12,67,50,000**	**12,67,50,000**
Total	**86,59,67,899**	**50,42,72,156**
II. Borrowings outside India	**36,50,81,801**	**23,60,16,510**
Total	**1,23,10,49,700**	**74,02,88,666**

Secured borrowings included in I and II above: Nil (March 31, 2017: Nil) except borrowings of ₹ 14,239.95 crore (March 31, 2017: Nil) under Collateralised Borrowing and Lending Obligation and transactions under Liquidity Adjustment Facility and Marginal Standing Facility.

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Bills payable	**8,22,17,908**	**16,66,70,863**
II. Interest accrued	**5,62,78,541**	**3,84,88,877**
III. Others *(including provisions)*	**28,92,44,562**	**33,80,11,290**
IV. Contingent provisions against standard assets	**2,98,96,170**	**2,39,22,151**
Total	**45,76,37,181**	**56,70,93,181**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Cash in hand *(including foreign currency notes)*	**7,53,23,281**	**4,26,35,945**
II. Balances with Reserve Bank of India :		
(a) In current accounts	**36,43,81,449**	**28,43,32,810**
(b) In other accounts	**60,70,00,000**	**5,20,00,000**
Total	**97,13,81,449**	**33,63,32,810**
Total	**1,04,67,04,730**	**37,89,68,755**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL

AND SHORT NOTICE

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. **In India**		
(i) Balances with banks :		
(a) In current accounts	**83,69,114**	**51,07,980**
(b) In other deposit accounts	**11,69,512**	**66,86,831**
Total	**95,38,626**	**1,17,94,811**
(ii) Money at call and short notice :		
(a) With banks	**-**	**-**
(b) With other institutions	**4,50,18,623**	**-**
Total	**4,50,18,623**	**-**
Total	**5,45,57,249**	**1,17,94,811**
II. **Outside India**		
(i) In current accounts	**2,61,24,304**	**3,67,72,777**
(ii) In deposit accounts	**61,91,625**	**25,29,150**
(iii) Money at call and short notice	**9,55,72,919**	**5,94,55,458**
Total	**12,78,88,848**	**9,87,57,385**
Total	**18,24,46,097**	**11,05,52,196**

SCHEDULE 8 - INVESTMENTS

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
A. Investments in India in		
(i) Government securities	**1,88,36,48,036**	**1,62,41,86,994**
(ii) Other approved securities	**-**	**-**
(iii) Shares	**11,97,947**	**11,13,742**
(iv) Debentures and bonds	**34,78,73,284**	**19,46,98,472**
(v) Subsidiaries / joint ventures	**3,82,64,875**	**3,84,33,239**
(vi) Others (Units, CDs/CPs, PTCs and security receipts)	**13,55,41,438**	**27,50,20,773**
Total	**2,40,65,25,580**	**2,13,34,53,220**
B. Investments outside India in		
(i) Government securities (including Local Authorities)	**42,18,786**	**-**
(ii) Other investments		
(a) Shares	**28,375**	**28,375**
(b) Debentures and bonds	**1,12,29,675**	**1,11,51,771**

	As at 31-Mar-18	As at 31-Mar-17
Total	1,54,76,836	1,11,80,146
Total	2,42,20,02,416	2,14,46,33,366
C. Investments		
(i) Gross value of investments		
(a) In India	2,40,89,97,714	2,13,40,71,702
(b) Outside India	1,56,06,450	1,12,06,487
Total	2,42,46,04,164	2,14,52,78,189
(ii) Provision for depreciation		
(a) In India	24,72,133	6,18,482
(b) Outside India	1,29,615	26,341
Total	26,01,748	6,44,823
(iii) Net value of investments		
(a) In India	2,40,65,25,581	2,13,34,53,220
(b) Outside India	1,54,76,835	1,11,80,146
Total	2,42,20,02,416	2,14,46,33,366

SCHEDULE 9 - ADVANCES

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
A (i) Bills purchased and discounted	21,65,92,055	28,71,59,641
(ii) Cash credits, overdrafts and loans repayable on demand	1,68,16,43,640	1,33,61,74,162
(iii) Term loans	4,68,50,95,213	3,92,23,48,218
Total	6,58,33,30,908	5,54,56,82,021
B (i) Secured by tangible assets*	4,71,24,05,892	3,98,88,93,240
(ii) Covered by bank / government guarantees	19,16,82,760	22,75,26,268
(iii) Unsecured	1,67,92,42,256	1,32,92,62,513
Total	6,58,33,30,908	5,54,56,82,021
** Including advances against book debts*		
C. I. Advances in India		
(i) Priority sector	1,72,86,66,886	1,62,51,80,583
(ii) Public sector	13,77,08,318	15,77,41,065
(iii) Banks	83,57,208	90,92,668
(iv) Others	4,50,53,43,473	3,55,56,35,492
Total	6,38,00,75,885	5,34,76,49,808
C.II. Advances outside India		
(i) Due from banks	3,30,46,352	65,00,391
(ii) Due from others		
(a) Bills purchased and discounted	10,52,278	25,60,707
(b) Syndicated loans	1,82,65,990	1,78,45,564
(c) Others	15,08,90,403	17,11,25,551
Total	20,32,55,023	19,80,32,213
Total	6,58,33,30,908	5,54,56,82,021

(Advances are net of provisions)

SCHEDULE 10 - FIXED ASSETS

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
A. **Premises** *(including land)*		
Gross block		
At cost on 31 March of the preceding year	**1,61,10,799**	**1,55,11,704**
Additions during the year	**9,78,572**	**6,69,442**
Deductions during the year	**(77,395)**	**-70,347**
Total	**1,70,11,976**	**1,61,10,799**
Depreciation		
As at 31 March of the preceding year	**47,78,473**	**42,46,842**
Charge for the year	**5,92,562**	**5,90,691**
On deductions during the year	**(74,579)**	**-59,060**
Total	**52,96,456**	**47,78,473**
Net block	**1,17,15,520**	**1,13,32,326**
B. **Other fixed assets** *(including furniture and fixtures)*		
Gross block		
At cost on 31 March of the preceding year	**8,09,18,907**	**7,24,67,567**
Additions during the year	**79,88,185**	**1,06,04,552**
Deductions during the year	**(11,40,239)**	**-21,53,212**
Total	**8,77,66,853**	**8,09,18,907**
Depreciation		
As at 31 March of the preceding year	**5,59,83,854**	**5,03,00,856**
Charge for the year	**84,71,338**	**77,38,599**
On deductions during the year	**(10,44,864)**	**-20,55,601**
Total	**6,34,10,328**	**5,59,83,854**
Net block	**2,43,56,525**	**2,49,35,053**
C. **Assets on lease** *(plant and machinery)*		
Gross block		
At cost on 31 March of the preceding year	**45,46,923**	**45,46,923**
Additions during the year	**-**	**-**
Total	**45,46,923**	**45,46,923**
Depreciation		
As at 31 March of the preceding year	**41,04,467**	**41,04,467**
Charge for the year	**-**	**-**
Total	**41,04,467**	**41,04,467**
Lease adjustment account		
As at 31 March of the preceding year	**4,42,456**	**4,42,456**
Charge for the year	**-**	**-**
Total	**4,42,456**	**4,42,456**
Unamortised cost of assets on lease	**-**	**-**
Total	**3,60,72,045**	**3,62,67,379**

SCHEDULE 11 - OTHER ASSETS

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Interest accrued	**9,07,37,523**	**8,30,95,335**
II. Advance tax/tax deducted at source (net of provisions)	**1,84,56,556**	**1,74,42,504**
III. Stationery and stamps	**3,33,306**	**2,67,871**
IV. Non banking assets acquired in satisfaction of claims	**-**	**-**
V. Security deposit for commercial and residential property	**50,04,128**	**49,34,536**
VI. Others*	**25,42,55,525**	**31,65,57,954**
Total	**36,87,87,038**	**42,22,98,200**

* *Includes deferred tax asset (net) of ₹ 3,344.02 crore (previous year: ₹ 2,447.34 crore) and deposits placed with NABARD/SIDBI/NHB on account of shortfall in lending to priority sector of ₹ 13,357.25 crore(previous year: ₹ 11,882.37 crore)*

SCHEDULE 12 - CONTINGENT LIABILITIES

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Claims against the bank not acknowledged as debts - taxation	**1,13,59,333**	**1,07,21,500**
II. Claims against the bank not acknowledged as debts - others	**10,42,772**	**10,81,701**
III. Liability on account of outstanding forward exchange contracts	**4,34,46,75,713**	**4,69,93,01,366**
IV. Liability on account of outstanding derivative contracts	**3,48,26,87,822**	**2,72,30,68,634**
V. Guarantees given on behalf of constituents - in India	**44,87,41,092**	**36,62,32,012**
- outside India	**5,57,296**	**9,53,405**
VI. Acceptances, endorsements and other obligations	**39,54,52,699**	**35,96,13,744**
VII. Other items for which the Bank is contingently liable	**7,03,65,565**	**1,77,23,531**
Total	**8,75,48,82,292**	**8,17,86,95,893**

SCHEDULE 13 - INTEREST EARNED

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Interest/discount on advances / bills	**62,66,17,888**	**52,05,52,624**
II. Income from investments	**16,22,23,679**	**15,94,43,391**
III. Interest on balance with RBI and other inter-bank funds	**52,38,842**	**53,20,205**
IV. Others	**83,33,141**	**77,43,358**
Total	**80,24,13,550**	**69,30,59,578**

SCHEDULE 14 - OTHER INCOME

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Commission, exchange and brokerage	**11,39,38,744**	**8,81,15,530**
II. Profit / (loss) on sale of investments (net)	**1,08,17,025**	**1,13,06,936**
III. Profit / (loss) on revaluation of investments (net)	**-15,70,448**	**87,543**
IV. Profit / (loss) on sale of building and other assets (net)	**-3,102**	**-14,735**
V. Profit/(loss) on exchange/derivative transactions (net)	**1,52,34,978**	**1,26,33,895**
VI. Income earned by way of dividends from subsidiaries/ associates and /or joint ventures abroad / in India	**24,16,454**	**16,28,640**
VII. Miscellaneous income	**1,13,69,391**	**92,07,181**
Total	**15,22,03,042**	**12,29,64,990**

SCHEDULE 15 - INTEREST EXPENDED

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Interest on deposits	**32,77,13,471**	**31,33,14,571**
II. Interest on RBI / inter-bank borrowings	**7,29,03,298**	**4,67,27,790**
III. Other interest	**8,48,144**	**16,24,973**
Total	**40,14,64,913**	**36,16,67,334**

SCHEDULE 16 - OPERATING EXPENSES

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Payments to and provisions for employees	**6,80,57,439**	**6,48,36,646**
II. Rent, taxes and lighting	**1,41,97,682**	**1,33,73,647**
III. Printing and stationery	**48,03,103**	**47,57,998**
IV. Advertisement and publicity	**16,52,205**	**14,75,165**
V. Depreciation on bank's property	**90,63,418**	**83,31,247**
VI. Directors' fees/ remuneration, allowances and expenses	**29,596**	**32,021**
VII. Auditors' fees and expenses	**26,301**	**25,758**
VIII. Law charges	**16,48,413**	**12,49,095**
IX. Postage, telegram, telephone etc.	**44,56,040**	**41,49,947**
X. Repairs and maintenance	**1,29,33,744**	**1,25,62,041**
XI. Insurance	**82,73,244**	**69,06,612**
XII. Other expenditure*	**10,17,62,636**	**7,93,33,265**
Total	**22,69,03,821**	**19,70,33,442**

* *Includes professional fees, commission to sales agents, card and merchant acquiring expenses and system management fees.*

SCHEDULE 17 – Significant accounting policies appended to and forming part of the financial statements for the year ended March 31, 2018

A BACKGROUND

HDFC Bank Limited ('HDFC Bank' or 'the Bank'), incorporated in Mumbai, India is a publicly held banking company engaged in providing a range of banking and financial services including retail banking, wholesale banking and treasury operations. The Bank is governed by the Banking Regulation Act, 1949 and the Companies Act, 2013. The Bank has overseas branch operations in Bahrain, Hong Kong, Dubai and Offshore Banking Unit at International Financial Service Centre (IFSC), at GIFT City, Gandhinagar in Gujarat. The financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by branches of the Bank.

B BASIS OF PREPARATION

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') specified under Section 133 of the Companies Act, 2013, in so far as they apply to banks.

Use of estimates

The preparation of financial statements in conformity with GAAP requires the management to make estimates and necessary assumptions in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

C PRINCIPAL ACCOUNTING POLICIES

1 Investments

Classification:

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ('HFT'), "Available for Sale" ('AFS') and "Held to Maturity" ('HTM') categories (hereinafter called "categories"). Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups (hereinafter called "groups") - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments.

Purchase and sale transactions in securities are recorded under 'Settlement Date' of accounting, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of classification:

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments in the equity of subsidiaries / joint ventures are categorised as HTM in accordance with the RBI guidelines. Investments which are not classified in either of the above categories are classified under AFS category.

Acquisition cost:

Brokerage, commission, etc. and broken period interest on debt instruments are recognised in the Statement of Profit and Loss and are not included in the cost of acquisition.

Disposal of investments:

Profit / Loss on sale of investments under the aforesaid three categories is recognised in the Statement of Profit and Loss. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve is appropriated from the Statement of Profit and Loss to "Capital Reserve" in accordance with the RBI Guidelines.

Short sale:

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines. The short position is reflected as the amount received on sale and is classified under 'Other Liabilities'. The short position is marked to market and loss, if any, is charged to the Statement of Profit and Loss while gain, if any, is ignored. Profit / Loss on settlement of the short position is recognised in the Statement of Profit and Loss.

Valuation:

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

Traded investments are valued based on the trades / quotes on the recognised stock exchanges, price list of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA'), periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA.

The valuation of other unquoted fixed income securities (viz. State Government securities, other approved securities, bonds and debentures), and preference shares, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA.

Special bonds such as oil bonds, fertilizer bonds etc. which are directly issued by Government of India ('GOI') that do not qualify for SLR are also valued by applying the mark-up above the corresponding yield on GOI securities.

Unquoted equity shares are valued at the break-up value, if the latest Balance Sheet is available or at ₹ 1 as per the RBI guidelines.

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

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost and stated at acquisition cost.

Security receipts are valued as per the net asset value provided by the issuing Asset Reconstruction Company from time to time.

Investment in unquoted VCF are categorised under HTM category for the initial period of three years and valued at cost. Such investment are required to be transferred to AFS thereafter.

Pass Through Certificates (PTC) including Priority Sector-PTCs are valued by using FIMMDA credit spread as applicable for the NBFC category, based on the credit rating of the respective PTC over the YTM rates for government securities published by FIMMDA.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the six groups, is charged to the Statement of Profit and Loss. The net appreciation, if any, in any of the six groups is not recognised except to the extent of depreciation already provided. The valuation of investments includes securities under repo transactions. The book value of individual securities is not changed after the valuation of investments.

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a constant yield-to-maturity basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in subsidiaries / joint ventures is provided for.

Non-performing investments are identified and depreciation / provision are made thereon based on the RBI guidelines. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Statement of Profit and Loss until received.

Repo and reverse repo transactions:

In accordance with the RBI guidelines, repurchase and reverse repurchase transactions in government securities and corporate debt securities are reflected as borrowing and lending transactions respectively.

Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.

2 Advances

Classification:

Advances are classified as performing and non-performing based on the RBI guidelines and are stated net of bills rediscounted, inter-bank participation with risk, specific provisions, interest in suspense for non-performing advances, claims received from Export Credit Guarantee Corporation, provisions for funded interest term loan classified as non-performing advances and provisions in lieu of diminution in the fair value of restructured assets. Interest on non-performing advances is transferred to an interest suspense account and not recognised in the Statement of Profit and Loss until received.

Provisioning:

Specific loan loss provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of wholesale and retail advances, subject to the minimum provisioning level prescribed by the RBI.

The specific provision levels for retail non-performing assets are also based on the nature of product and delinquency levels. Specific loan loss provisions in respect of non-performing advances are charged to the Statement of Profit and Loss and included under Provisions and Contingencies.

Non-performing advances are written-off in accordance with the Bank's policies. Recoveries from bad debts written-off are recognised in the Statement of Profit and Loss and included under other income.

In relation to non-performing derivative contracts, as per the extant RBI guidelines, the Bank makes provision for the entire amount of overdue and future receivables relating to positive marked to market value of the said derivative contracts.

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, and gold in accordance with the guidelines and at levels stipulated by RBI from time to time. In the case of overseas branches, general provision on standard advances is maintained at the higher of the levels stipulated by the respective overseas regulator or RBI. Provision for standard assets is included under other liabilities.

Provisions made in addition to the Bank's policy for specific loan loss provisions for non-performing assets and regulatory general provisions are categorised as floating provisions. Creation of floating provisions is considered by the Bank up to a level approved by the Board of Directors. In accordance with the RBI guidelines, floating provisions are used up to a level approved by the Board only for contingencies under extraordinary circumstances and for making specific provisions for impaired accounts as per these guidelines or any regulatory guidance / instructions. Floating provisions are included under other liabilities.

Further to the provisions required to be held according to the asset classification status, provisions are held for individual country exposures (other than for home country exposure). Countries are categorised into risk categories as per Export Credit Guarantee Corporation of India Ltd. ('ECGC') guidelines and provisioning is done in respect of that country where the net funded exposure is one percent or more of the Bank's total assets. Provision for country risk is included under other liabilities.

In addition to the above, the Bank on a prudential basis makes provisions on advances or exposures which are not NPAs, but has reasons to believe on the basis of the extant environment or specific information or basis regulatory guidance / instructions, of a possible slippage of a specific advance or a group of advances or exposures or potential exposures. These are classified as contingent provisions and included under other liabilities.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines. Restructuring of an account is done at a borrower level.

3 Securitisation and transfer of assets

The Bank securitises out its receivables to Special Purpose Vehicles ('SPVs') in securitisation transactions. Such securitised-out receivables are de-recognised in the Balance Sheet when they are sold (true sale criteria being fully met with) and consideration is received by the Bank. Sales / Transfers that do not meet these criteria for surrender of control are accounted for as secured borrowings. In respect of receivable pools securitised-out, the Bank provides liquidity and credit enhancements, as specified by the rating agencies, in the form of cash collaterals / guarantees and

/ or by subordination of cash flows in line with RBI guidelines. The Bank also acts as a servicing agent for receivable pools securitised-out.

The Bank enters into transactions for transfer of standard assets through the direct assignment of cash flows, which are similar to asset-backed securitisation transactions through the SPV route, except that such portfolios of receivables are assigned directly to the purchaser and are not represented by Pass Through Certificates ('PTCs').

The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines. The Bank amortises any profit received for every individual securitisation or direct assignment transaction based on the method prescribed in these guidelines.

In relation to securitisation transactions undertaken prior to the aforementioned RBI guidelines, including those undertaken through the direct assignment route, the Bank continues to amortise the profit / premium that arose on account of sale of receivables over the life of the securities sold, in accordance with the RBI guidelines on securitisation of standard assets issued vide its circular dated February 1, 2006.

Any loss arising on account of sale of receivables is recognised in the Statement of Profit and Loss for the period in which the sale occurs in accordance with the said RBI guidelines.

The Bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfillment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfillment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as 'Miscellaneous Income' and the fee paid for purchase of the PSLCs is recorded as 'Other Expenditure' in Statement of Profit and Loss. These are amortised over the period of the Certificate.

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

The Bank invests in PTCs issued by other SPVs. These are accounted for at the deal value and are classified as investments. The Bank also buys loans through the direct assignment route which are classified as advances. These are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the tenor of the loans.

4 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. The management believes that the useful life of assets assessed by the Bank, pursuant to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets are given below:

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act, 2013
Owned Premises	61 years	60 years
Automated Teller Machines ('ATMs')	10 years	15 years
Electrical equipment and installations	6 to 10 years	10 years
Office equipment	3 to 6 years	5 years
Computers	3 years	3 years
Modems, routers, switches, servers, network and related IT equipment	3 to 6 years	6 years
Motor cars	4 years	8 years

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act, 2013
Furniture and fittings	16 years	10 years

- Improvements to lease hold premises are charged off over the remaining primary period of lease.
- Software and system development expenditure is depreciated over a period of 5 years.
- Point of sale terminals are fully depreciated in the year of purchase.
- For assets purchased and sold during the year, depreciation is provided on pro-rata basis by the Bank.
- Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.
- Profit on sale of immovable property net of taxes and transfer to statutory reserve, are transferred to capital reserve account.

5 Impairment of assets

The Bank assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Statement of Profit and Loss to the extent the carrying amount of assets exceeds their estimated recoverable amount.

6 Transactions involving foreign exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of integral foreign operations (representative offices) are translated at the weekly average closing rates and of non-integral foreign operations (foreign branches) at the monthly average closing rates.

Foreign currency monetary items of domestic and integral foreign operations are translated at the closing exchange rates notified by Foreign Exchange Dealers' Association of India ('FEDAI') as at the Balance Sheet date and the resulting net valuation profit or loss arising due to a net open position in any foreign currency is recognised in the Statement of Profit and Loss.

Both monetary and non-monetary foreign currency assets and liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the Balance Sheet date and the resulting profit / loss arising from exchange differences are accumulated in the Foreign Currency Translation Account until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS - 11, The Effects of Changes in Foreign Exchange Rates.

Foreign exchange spot and forward contracts outstanding as at the Balance Sheet date and held for trading, are revalued at the closing spot and forward rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities. The USD-INR rate for valuation of contracts having longer maturities i.e. greater than one year, is implied from MIFOR and LIBOR curves. For other currency pairs, the forward points (for rates / tenors not published by FEDAI) are obtained from Reuters for valuation of the FX deals. As directed by FEDAI to consider P&L on present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Statement of Profit and Loss. Foreign exchange contracts are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value).

Foreign exchange forward contracts not intended for trading, that are entered into to establish the amount of reporting currency required or available at the settlement date of a transaction, and are outstanding at the Balance Sheet date, are effectively valued at the closing spot rate. The premia or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

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

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

7 Derivative contracts

The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance Sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Statement of Profit and Loss.

Derivative contracts designated as hedges are not marked to market unless their underlying transaction is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Statement of Profit and Loss in the relevant period. The Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. Hedge effectiveness is ascertained at the time of the inception of the hedge and periodically thereafter. Gains or losses arising from hedge ineffectiveness, if any, are recognised in the Statement of Profit and Loss.

Contingent liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

8 Revenue recognition

Interest income is recognised in the Statement of Profit and Loss on an accrual basis, except in the case of non-performing assets. Also in case of domestic advances, where interest is collected on rear end basis, such interest is accounted on receipt basis in accordance with the RBI guidelines.

Interest income on investments in PTCs and loans bought out through the direct assignment route is recognised at their effective interest rate.

Income on non-coupon bearing discounted instruments is recognised over the tenor of the instrument on a constant effective yield basis.

Loan processing fee is recognised as income when due. Syndication / Arranger fee is recognised as income when a significant act / milestone is completed.

Gain / loss on sell down of loans is recognised in line with the extant RBI guidelines.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

Guarantee commission, commission on letter of credit, annual locker rent fees and annual fees for credit cards are recognised on a straight-line basis over the period of contract. Other fees and commission income are recognised when due, where the Bank is reasonably certain of ultimate collection.

9 Employee benefits

Employee Stock Option Scheme (‘ESOS’):

The Employee Stock Option Scheme (‘the Scheme’) provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Bank follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price of the underlying stock over the exercise price as determined under the option plan. The market price is the closing price on the stock exchange where there is highest trading volume on the working day immediately preceding the date of grant. Compensation cost, if any is amortised over the vesting period.

Gratuity:

The Bank provides for gratuity to all employees. The benefit vests upon completion of five years of service and is in the form of lump sum payment to employees on resignation, retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. The Bank makes contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. In respect of erstwhile Lord Krishna Bank ('eLKB') employees, the Bank makes contribution to a fund set up by eLKB and administered by the Board of Trustees.

The defined gratuity benefit plans are valued by an independent actuary as at the Balance Sheet date using the projected unit credit method as per the requirement of AS-15, Employee Benefits, to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognised in the Statement of Profit and Loss.

Superannuation:

Employees of the Bank, above a prescribed grade, are entitled to receive retirement benefits under the Bank's Superannuation Fund. The Bank contributes a sum equivalent to 13% of the employee's eligible annual basic salary (15% for the whole time directors and for certain eligible erstwhile Centurion Bank of Punjab ('eCBoP') staff) to insurance companies, which administer the fund. The Bank has no liability for future superannuation fund benefits other than its contribution, and recognises such contributions as an expense in the year incurred, as such contribution is in the nature of defined contribution.

Provident fund:

In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund. The Bank contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary). Of this, the Bank contributes an amount equal to 8.33% of employee's basic salary up to a maximum salary level of ₹ 15,000/- per month, to the Pension Scheme administered by the Regional Provident Fund Commissioner ('RPFC'). The balance amount is contributed to a fund set up by the Bank and administered by a Board of Trustees. In respect of eCBoP employees, employer's and employee's share of contribution to Provident Fund till March 2009, was administered by RPFC and from April 2009 onwards, the same is transferred to the fund set up by the Bank and administered by the Board of Trustees. In respect of eLKB employees, the Bank contributes to a fund set up by eLKB and administered by a Board of Trustees. The Bank recognises such contributions as an expense in the year in which it is incurred. Interest payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the Bank.

The guidance note on implementing AS-15, Employee Benefits, states that benefits involving employer established provident funds, which require interest shortfalls to be provided, are to be considered as defined benefit plans. Actuarial valuation of this Provident Fund interest shortfall is done as per the guidance note issued in this respect by The Institute of Actuaries of India (IAI) and provision towards this liability is made.

The overseas branches of the Bank make contribution to the respective relevant government scheme calculated as a percentage of the employees' salaries. The Bank's obligations are limited to these contributions, which are expensed when due, as such contribution is in the nature of defined contribution.

Leave encashment / Compensated absences:

The Bank does not have a policy of encashing unavailed leave for its employees, except for certain eLKB employees under Indian Banks' Association ('IBA') structure. The Bank provides for leave encashment / compensated absences based on an independent actuarial valuation at the Balance Sheet date, which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation.

Pension:

In respect of pension payable to certain eLKB employees under IBA structure, which is a defined benefit scheme, the Bank contributes 10% of basic salary to a pension fund set up by the Bank and administered by the Board of Trustees and the balance amount is provided based on actuarial valuation as at the Balance Sheet date conducted by an independent actuary.

In respect of certain eLKB employees who had moved to a Cost to Company ('CTC') driven compensation structure and had completed less than 15 years of service, the contribution which was made until then, is maintained as a fund and will be converted into annuity on separation after a lock-in-period of two years. For this category of employees, liability stands frozen and no additional provision is required except for interest as applicable to Provident Fund, which is provided for.

In respect of certain eLKB employees who moved to a CTC structure and had completed service of more than 15 years, pension would be paid on separation based on salary applicable as on the date of movement to CTC structure. Provision thereto is made based on actuarial valuation as at the Balance Sheet date conducted by an independent actuary.

10 Debit and credit cards reward points

The Bank estimates the probable redemption of debit and credit card reward points and cost per point using an actuarial method by employing an independent actuary, which includes assumptions such as mortality, redemption and spends. Provisions for liabilities on the outstanding reward points are made based on the actuarial valuation report as furnished by the said independent actuary and included in other liabilities.

11 Bullion

The Bank imports bullion including precious metal bars on a consignment basis. The imports are typically on a back-to-back basis and are priced to the customer based on the price quoted by the supplier. The difference between the price recovered from customers and cost of bullion is classified under 'Commission Income'.

The Bank also deals in bullion on a borrowing and lending basis and the interest paid / received thereon is classified as interest expense / income respectively.

12 Lease accounting

Lease payments including cost escalation for assets taken on operating lease are recognised in the Statement of Profit and Loss over the lease term on a straight-line basis in accordance with the AS-19, Leases.

13 Income tax

Income tax expense comprises current tax provision (i.e. the amount of tax for the period determined in accordance with the Income Tax Act, 1961, the rules framed there under and considering the material principles set out in Income Computation and Disclosure Standards) and the net change in the deferred tax asset or liability during the year. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences between the carrying values of assets and liabilities and their respective tax bases, and operating loss carried forward, if any. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates as at the Balance Sheet date.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each Balance Sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realised.

14 Earnings per share

The Bank reports basic and diluted earnings per equity share in accordance with AS-20, Earnings per Share. Basic earnings per equity share has been computed by dividing net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted to equity during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and the dilutive potential equity shares outstanding during the period except where the results are anti-dilutive.

15 Share issue expenses

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

16 Segment information

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

17 Accounting for provisions, contingent liabilities and contingent assets

In accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets, the Bank recognises provisions when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Provisions are determined based on management estimate required to settle the obligation at the Balance Sheet date, supplemented by experience of similar transactions. These are reviewed at each Balance Sheet date and adjusted to reflect the current management 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 the 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, if any, are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

Onerous contracts

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

18 Cash and cash equivalents

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

19 Corporate social responsibility

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013, are recognised in the Statement of Profit and Loss.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2018

Amounts in notes forming part of the financial statements for the year ended March 31, 2018 are denominated in rupee crore to conform to extant RBI guidelines, except where stated otherwise.

1. Proposed dividend

The Board of Directors, at their meeting held on April 21, 2018 have proposed a dividend of ₹ 13.00 per equity share (previous year: ₹ 11.00) aggregating ₹ 4,067.07 crore (previous year: ₹ 3,392.71 crore) inclusive of tax on dividend. The proposal is subject to the approval of shareholders at the Annual General Meeting. In terms of the revised Accounting Standard (AS) 4 'Contingencies and Events Occurring After the Balance Sheet Date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated the proposed dividend from the Statement of Profit and Loss . However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of the capital adequacy ratios.

2. Capital adequacy

The Bank's capital to risk-weighted asset ratio ('Capital Adequacy Ratio') as at March 31, 2018 is calculated in accordance with the RBI guidelines on Basel III capital regulations ('Basel III'). The phasing-in of the minimum capital ratio requirement under Basel III is as follows:

(% of RWAs)

Minimum ratio of capital to risk-weighted assets	As at March 31,		
	2017	**2018**	**2019**
Common equity tier 1 (CET 1)	6.750	7.375	8.000
Tier I capital	8.250	8.875	9.500
Total capital	10.250	10.875	11.500

The above minimum CET 1, tier I and total capital ratio requirements include the capital conservation buffer.

During the year, the RBI identified the Bank as a Domestic-Systemically Important Bank (D-SIB) under the bucketing structure as provided in the D-SIB framework. As an identified D-SIB, the Bank will be required to maintain additional CET 1 of 0.15% effective April 1, 2018 and 0.20% effective April 1, 2019.

The Bank's capital adequacy ratio computed under Basel III is given below:

(₹ crore)

Particulars	As at March 31,	
	2018	**2017**
Tier I capital	106,004.90	81,829.30
Of which CET 1 capital	98,004.90	81,829.30
Tier II capital	12,535.47	11,302.66
Total capital	118,540.37	93,131.96
Total risk weighted assets	800,125.98	640,029.93
Capital adequacy ratios under Basel lII		
Tier I	13.25%	12.79%
Of which CET 1	12.25%	12.79%
Tier II	1.57%	1.76%
Total	**14.82%**	**14.55%**

During the year ended March 31, 2018, the Bank raised debt capital instruments eligible for inclusion in Additional Tier I capital and Tier II capital under the Basel III capital regulations amounting to ₹ 8,000.00 crore (previous year: Nil) and ₹ 2,000.00 crore (previous year: Nil) respectively.

As on March 31, 2018, the Bank's subordinated and perpetual debt capital instruments amounted to ₹ 13,107.00 crore (previous year: ₹ 13,182.00 crore) and ₹ 8,000.00 (previous year: Nil) respectively.

In accordance with RBI guidelines, banks are required to make Pillar 3 disclosures under the Basel III capital regulations. The Bank's Pillar 3 disclosures are available on its website at the following link: http://www.hdfcbank.com/aboutus/basel_disclosures/default.htm. These Pillar 3 disclosures have not been subjected to audit or review by the statutory auditors.

Capital infusion

During the year ended March 31, 2018, the Bank allotted 3,25,44,550 equity shares (previous year: 3,43,59,200 equity shares) aggregating to face value ₹ 6.51 crore (previous year: ₹ 6.87 crore) in respect of stock options exercised. Accordingly, the share capital increased by ₹ 6.51 crore (previous year: ₹ 6.87 crore) and the share premium increased by ₹ 2,719.40 crore (previous year: ₹ 2,254.64 crore).

The Board of Directors of the Bank, at their meeting held on December 20, 2017 approved the raising of funds aggregating up to ₹ 24,000 crore, of which an amount up to a maximum of ₹ 8,500 crore shall be through the issuance of equity shares of face value of ₹ 2/- each pursuant to a preferential issue to Housing Development Finance Corporation Limited (the Bank's promoters) and the balance shall be through the issuance of equity shares/ convertible securities/ depository receipts pursuant to a Qualified Institutions Placement (QIP)/ American Depository Receipts (ADR)/ Global Depository Receipt (GDR) program. The said raising of funds was approved by the shareholders of the Bank at its Extra Ordinary General meeting held on January 19, 2018 and is subject to the receipt of all relevant regulatory approvals.

The details of the movement in the paid-up equity share capital of the Bank are given below:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Opening balance	512.51	505.64
Addition pursuant to stock options exercised	6.51	6.87
Closing balance	519.02	512.51

3. Earnings per equity share

Basic and diluted earnings per equity share of the Bank have been calculated based on the net profit after tax of ₹ 17,486.75 crore (previous year: ₹ 14,549.66 crore) and the weighted average number of equity shares outstanding during the year of 2,58,05,38,505 (previous year: 2,54,43,33,609).

Following is the reconciliation between the basic and diluted earnings per equity share:

Particulars	For the years ended	
	March 31, 2018	March 31, 2017
Nominal value per share (₹)	2.00	2.00
Basic earnings per share (₹)	67.76	57.18
Effect of potential equity shares (per share) (₹)	(0.92)	(0.75)
Diluted earnings per share (₹)	66.84	56.43

Basic earnings per equity share of the Bank has been computed by dividing the net profit for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share has been computed by dividing the net profit for the year attributable to the equity shareholders by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. The dilutive impact is on account of stock options granted to employees by the Bank. There is no impact of dilution on the profits in the current year and previous year.

Following is the reconciliation of the weighted average number of equity shares used in the computation of basic and diluted earnings per share:

Particulars	For the years ended	
	March 31, 2018	March 31, 2017
Weighted average number of equity shares used in computing basic earnings per equity share	2,58,05,38,505	2,54,43,33,609
Effect of potential equity shares outstanding	3,55,30,885	3,40,55,428
Weighted average number of equity shares used in computing diluted earnings per equity share	2,61,60,69,390	2,57,83,89,037

4. Reserves and Surplus

Draw down from reserves

Share Premium

The Bank has not undertaken any drawdown from share premium during the years ended March 31, 2018 and March 31, 2017.

Statutory Reserve

The Bank has made an appropriation of ₹ 4,371.68 crore (previous year: ₹ 3,637.41 crore) out of profits for the year ended March 31, 2018 to the Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

Capital Reserve

During the year ended March 31, 2018, the Bank appropriated ₹ 235.52 crore (previous year: ₹ 313.41 crore), being the profit from sale of investments under HTM category and profit on sale of immovable properties, net of taxes and transfer to statutory reserve, from the Profit and Loss Account to the Capital Reserve.

General Reserve

The Bank has made an appropriation of ₹ 1,748.67 crore (previous year: ₹ 1,454.96 crore) out of profits for the year ended March 31, 2018 to the General Reserve.

Investment Reserve Account

During the year ended March 31, 2018, the Bank has transferred ₹ 44.20 crore (net) from the Investment Reserve Account to the Profit and Loss Account as per the RBI guidelines. In the previous year, the Bank had appropriated ₹ 4.29 crore (net) from the Profit and Loss Account to the Investment Reserve Account as per RBI guidelines.

5. Dividend on shares allotted pursuant to exercise of stock options

The Bank may allot equity shares after the Balance Sheet date but before the book closure date pursuant to the exercise of any employee stock options. These equity shares will be eligible for full dividend for the year ended March 31, 2018, if approved at the ensuing Annual General Meeting.

6. Accounting for employee share based payments

The shareholders of the Bank approved the grant of equity share options under Plan "C" in June 2005, Plan "D" in June 2007, Plan "E" in June 2010, Plan "F" in June 2013 and Plan "G" in July 2016. Under the terms of each of these Plans, the Bank may issue to its employees and Whole Time Directors, Equity Stock Options ('ESOPs') each of which is convertible into one equity share. All the plans were framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time and as applicable at the time of the grant. The accounting for the stock options has been in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014 to the extent applicable.

Plans C, D, E, F and G provide for the issuance of options at the recommendation of the Nomination and Remuneration Committee of the Board ('NRC') at the closing price on the working day immediately preceding the date when options are granted. This closing price is the closing price of the Bank's equity share on an Indian stock exchange with the highest trading volume as of the working day preceding the date of grant.

The vesting conditions applicable to the options are at the discretion of the NRC. These options are exercisable on vesting, for a period as set forth by the NRC at the time of grant. The period in which the options may be exercised cannot exceed five years. During the years ended March 31, 2018 and March 31, 2017, no modifications were made to the terms and conditions of ESOPs as approved by the NRC.

Activity in the options outstanding under the Employee Stock Option Plans

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2018:

Particulars	Number of options	Weighted average exercise price (₹)
Options outstanding, beginning of year	9,21,56,300	904.97
Granted during the year	1,68,82,050	1,433.23
Exercised during the year	3,25,44,550	837.59
Forfeited / Lapsed during the year	10,50,000	1,050.05
Options outstanding, end of year	7,54,43,800	1,050.22
Options exercisable	4,68,10,250	901.44

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2017:

Particulars	Number of options	Weighted average exercise price (₹)
Options outstanding, beginning of year	12,86,54,300	840.19
Granted during the year	-	-
Exercised during the year	3,43,59,200	658.20
Forfeited / Lapsed during the year	21,38,800	972.97

Particulars	Number of options	Weighted average exercise price (₹)
Options outstanding, end of year	9,21,56,300	904.97
Options exercisable	5,63,14,000	835.06

- The following table summarises the information about stock options outstanding as at March 31, 2018:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan C	680.00 to 835.50	32,61,500	1.32	685.72
Plan D	680.00	16,35,700	1.43	680.00
Plan E	680.00	62,24,900	1.51	680.00
Plan F	835.50 to 1,462.15	6,43,21,700	3.59	1,113.95

- The following table summarises the information about stock options outstanding as at March 31, 2017:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan C	680.00 to 835.50	46,44,400	2.34	690.91
Plan D	680.00	33,34,300	2.33	680.00
Plan E	468.40 to 680.00	1,50,94,600	2.18	650.01
Plan F	835.50 to 1,097.80	6,90,83,000	3.90	985.92

Fair value methodology

The fair value of options used to compute the *proforma* net profit and earnings per equity share have been estimated on the dates of each grant using the binomial option-pricing model. The Bank estimates the volatility based on the historical prices of its equity shares. The Bank granted 1,68,82,050 options during the year ended March 31, 2018 (previous year: Nil). The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2018 are:

Particulars	March 31, 2018
Dividend yield	0.65% to 0.66%
Expected volatility	19.94% to 21.65%
Risk-free interest rate	6.73% to 7.20%
Expected life of the options	1- 7.25 years

Impact of the fair value method on the net profit and earnings per share

Had the compensation cost for the Bank's stock option plans been determined based on the fair value approach, the Bank's net profit for the year and earnings per share would have been as per the *proforma* amounts indicated below:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Net profit (as reported)	17,486.75	14,549.66
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method (*proforma*)	650.41	812.75
Net profit (*proforma*)	16,836.34	13,736.91
	(₹)	**(₹)**
Basic earnings per share (as reported)	67.76	57.18
Basic earnings per share (*proforma*)	65.24	53.99
Diluted earnings per share (as reported)	66.84	56.43
Diluted earnings per share (*proforma*)	64.36	53.28

7. Other liabilities

- The Bank held contingent provisions towards standard assets amounting to ₹ 2,989.62 crore as at March 31, 2018 (previous year: ₹ 2,392.22 crore). These are included under other liabilities.

    ✓ Provision for standard assets is made @ 0.25% for direct advances to agriculture and Small and Micro Enterprises (SMEs) sectors, @ 1% for advances to commercial real estate sector, @ 0.75% for advances to commercial real estate - residential housing sector, @ 5% on restructured standard advances, @ 2% until after one year from the date on which the rates are reset at higher rates for housing loans offered at a comparatively lower rate of interest in the first few years and @ 2% on all exposures to the wholly owned step down subsidiaries of the overseas subsidiaries of Indian companies, sanctioned / renewed after December 31, 2015.

    ✓ Provision is maintained at rates higher than the regulatory minimum, on standard advances based on evaluation of the risk and stress in various sectors as per the policy approved by the Board of the Bank.

    ✓ In accordance with regulatory guidelines and based on the information made available by its customers to the Bank, for exposures to customers who have not hedged their foreign currency exposures, provision for standard assets is made at levels ranging up to 0.80% depending on the likely loss the entities could incur on account of exchange rate movements.

    ✓ Provision for standard assets of overseas branches is made at higher of rates prescribed by the overseas regulator or RBI.

    ✓ For all other loans and advances including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, provision for standard assets is made @ 0.40%.

- The Bank has presented gross unrealised gain on foreign exchange and derivative contracts under other assets and gross unrealised loss on foreign exchange and derivative contracts under other liabilities. Accordingly, other liabilities as at March 31, 2018 include unrealised loss on foreign exchange and derivative contracts of ₹ 5,093.04 crore (previous year: ₹ 13,880.38 crore).

8. Unhedged foreign currency exposure

The Bank has in place a policy and process for managing currency induced credit risk. The credit appraisal memorandum prepared at the time of origination and review of a credit facility is required to discuss the exchange risk that the customer is exposed to from all sources, including trade related, foreign currency borrowings and external commercial borrowings. It could cover the natural hedge available to the customer as well as other hedging methods adopted by the customer to mitigate exchange risk. For foreign currency loans granted by the Bank beyond a defined threshold the customer is encouraged to enter into appropriate risk hedging mechanisms with the Bank. Alternatively, the Bank satisfies itself that the customer has the financial capacity to bear the exchange risk in the normal course of its business and / or has other mitigants to reduce the risk. On a monthly basis, the Bank reviews information on the unhedged portion of foreign currency exposures of customers, whose total foreign currency exposure with the Bank exceeds a defined threshold. Based on the monthly review, the Bank proposes suitable hedging techniques to the customer to contain the risk. A Board approved credit risk rating linked limit on unhedged foreign currency position of customers is applicable when extending credit facilities to a customer. The compliance with the limit is assessed by estimating the extent of drop in a customer's annual Earnings Before Interest and Depreciation ('EBID') due to a potentially large adverse movement in exchange rate impacting the unhedged foreign currency exposure of the customer. Where a breach is observed in such a simulation, the customer is advised to reduce its unhedged exposure.

In accordance with RBI guidelines, as at March 31, 2018 the Bank holds standard asset provisions of ₹ 180.30 crore (previous year: ₹ 108.31 crore) and maintains capital (including capital conservation buffer) of ₹ 723.08 crore (previous year: ₹ 396.86 crore) in respect of the unhedged foreign currency exposure of its customers.

9. Investments

- **Value of investments**

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Gross value of investments		
- In India	240,899.77	213,407.17
- Outside India	1,560.65	1,120.65
Provisions for depreciation on investments		
- In India	247.21	61.85
- Outside India	12.96	2.63

Particulars	March 31, 2018	March 31, 2017
Net value of investments		
- In India	240,652.56	213,345.32
- Outside India	1,547.69	1,118.02

- **Movement in provisions held towards depreciation on investments:**

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Opening balance	64.48	119.54
Add: Provision made during the year	204.91	37.33
Less: Write-off, write back of excess provision during the year	9.22	92.39
Closing balance	260.17	64.48

Movement in provisions held towards depreciation on investments has been reckoned on a yearly basis.

- **Repo transactions**

✓ Details of repo / reverse repo deals (in face value terms) done during the year ended March 31, 2018:

(₹ crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2018
Securities sold under repo				
1. Government securities	-	20,557.80	1,433.97	13,454.44
2. Corporate debt securities	-	-	-	-
Securities purchased under reverse repo				
1. Government securities	-	62,745.05	8,672.06	62,745.05
2. Corporate debt securities	-	-	-	-

✓ Details of repo / reverse repo deals (in face value terms) done during the year ended March 31, 2017:

(₹ crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2017
Securities sold under repo				
1. Government securities	-	32,620.54	7,445.30	-
2. Corporate debt securities	-	-	-	-
Securities purchased under reverse repo				
1. Government securities	-	31,413.37	6,900.12	4,690.56
2. Corporate debt securities	-	132.00	30.74	-

- **Non-SLR investment portfolio**

✓ Issuer-wise composition of non-SLR investments as at March 31, 2018:

(₹ crore)

Sr. No.	Issuer	Amount[(1)]	Extent of private placement[#]	Extent of 'below investment grade' securities[#]	Extent of 'unrated' securities[# (2)]	Extent of 'unlisted' securities[#(3)]
1	Public sector undertakings	225.31	100.00	-	-	-
2	Financial institutions	4,723.31	1,414.21	-	-	-
3	Banks	839.15	80.00	-	270.94	270.94
4	Private corporate	33,929.42	29,475.13	-	39.46	5,106.35
5	Subsidiaries / Joint ventures	3,826.49	3,826.49	-	-	-
6	Others	10,128.88	2,113.15	-	-	-
7	Provision held towards depreciation	(258.99)				
	Total	**53,413.57**	**37,008.98**	**-**	**310.40**	**5,377.29**

[#] *Amounts reported under these columns above are not mutually exclusive.*

(1) Excludes investments in non-Indian government securities by overseas branches amounting to ₹ 421.88 crore.

(2) Excludes investments in equity shares and units of equity oriented mutual funds and venture capital funds in line with extant RBI guidelines.

(3) Excludes investments in equity shares, units of equity oriented mutual funds and venture capital funds, pass through certificates, security receipts, commercial paper, certificate of deposits and convertible debentures in line with extant RBI guidelines.

✓ Issuer-wise composition of non-SLR investments as at March 31, 2017:

(₹ crore)

Sr. No.	Issuer	Amount	Extent of private placement[#]	Extent of "below investment grade" securities[#]	Extent of "unrated" securities[#(1)]	Extent of "unlisted" securities[#(2)]
1	Public sector undertakings	2,225.18	2,174.65	-	-	-
2	Financial institutions	1,400.31	1,360.00	-	-	-
3	Banks	700.36	-	-	-	-
4	Private corporate	41,069.41	39,337.27	-	33.51	3,793.61
5	Subsidiaries / Joint ventures	3,843.32	3,843.32	-	-	-
6	Others	2,870.54	2,860.53	-	-	-
7	Provision held towards depreciation	(64.48)				
	Total	**52,044.64**	**49,575.77**	**-**	**33.51**	**3,793.61**

[#] *Amounts reported under these columns above are not mutually exclusive.*

(1) Excludes investments in equity shares and units of equity oriented mutual funds in line with extant RBI guidelines.

(2) Excludes investments in equity shares, units of equity oriented mutual funds, pass through certificates, security receipts, commercial paper and certificate of deposits in line with extant RBI guidelines.

✓ Non-performing non-SLR investments:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Opening balance	51.57	87.02
Additions during the year	41.00	34.61
Reductions during the year	0.50	70.06
Closing balance	**92.07**	**51.57**
Total provisions held	**76.67**	**38.02**

- **Details of investments category-wise**

  The details of investments held under the three categories viz. Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HTM) are as under:

(₹ crore)

Particulars	As at March 31, 2018				As at March 31, 2017			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government securities	2,471.38	49,272.32	137,042.98	188,786.68	1,736.34	35,614.27	125,068.09	162,418.70
Other approved securities	-	-	-	-	-	-	-	-
Shares	-	122.63	-	122.63	-	114.21	-	114.21
Debentures and bonds	5,023.15	29,466.48	1,420.67	35,910.30	1,734.61	17,550.42	1,300.00	20,585.03
Subsidiary / Joint ventures	-	-	3,826.49	3,826.49	-	-	3,843.32	3,843.32
Others	8,005.72	5,544.68	3.75	13,554.15	-	27,502.08	-	27,502.08
Total	**15,500.25**	**84,406.11**	**142,293.89**	**242,200.25**	**3,470.95**	**80,780.98**	**130,211.41**	**214,463.34**

- **Securities kept as margin**

  The details of securities that are kept as margin are as under:

(₹ crore)

Sr. No.	Particulars	Face value as at March 31,	
		2018	2017
I.	Securities kept as margin with Clearing Corporation of India towards:		
	a) Collateral and funds management – Securities segment	1,520.00	1,520.00
	b) Collateral and funds management – Collateralised Borrowing and Lending Obligation (CBLO) segment	25,770.78	24,488.31
	c) Default fund – Forex Forward segment	100.00	100.00
	d) Default fund – Forex Settlement segment	41.05	11.05
	e) Default fund – Rupee Derivatives (Guaranteed Settlement) segment	41.00	41.00
	f) Default fund – Securities segment	65.00	65.00
	g) Default fund – CBLO segment	25.00	25.00
II.	Securities kept as margin with the RBI towards:		
	a) Real Time Gross Settlement (RTGS)	90,130.65	42,730.27
	b) Repo transactions	16,307.49	41,473.92
	c) Reverse repo transactions	58,341.00	4,690.56
III.	Securities kept as margin with National Securities Clearing Corporation of India (NSCCIL) towards NSE Currency Derivatives segment.	16.00	16.00
IV.	Securities kept as margin with Indian Clearing Corporation Limited towards BSE Currency Derivatives segment.	241.00	5.00
V.	Securities kept as margin with Metropolitan Clearing Corporation of India towards MCX Currency Derivatives segment.	13.00	13.00

- Other investments as at the Balance Sheet date include commercial paper amounting to ₹ 3,357.99 crore (previous year: ₹ 24,494.53 crore).

- The Reserve Bank of India, vide its circular under reference DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 granted banks an option to spread provisioning for mark to market losses on investments held in AFS and HFT for the quarters ended December 31, 2017 and March 31, 2018. The circular states that the provisioning for each of these quarters may be spread equally over up to four quarters, commencing with the quarter in which the loss was incurred. The Bank has recognised the entire net mark to market loss on investments in the year ended March 31, 2018 and has not availed of the said option.

- The Bank had made investments in certain companies wherein it held more than 25% of the equity shares of those companies. Such investments did not fall within the definition of a joint venture as per AS-27, Financial Reporting of Interest in Joint Ventures and the said accounting standard was thus not applicable. However, pursuant to RBI guidelines, the Bank had classified and disclosed these investments as joint ventures as of March 31, 2017. There were no such investments outstanding as of March 31, 2018.

- During the year ended March 31, 2018, there has been no sale from, and transfer to/from, the HTM category in excess of 5% of the book value of investments held in the HTM category at the beginning of the year.

During the year ended March 31, 2017, the aggregate book value of investment sold from, and transferred to / from, HTM category was in excess of 5% of the book value of investments held in the HTM category at the beginning of the year. The market value of investments (excluding investments in subsidiaries / joint ventures) under HTM category as at March 31, 2017 was ₹ 130,187.42 crore and was higher than the book value thereof as at that date.

In accordance with the RBI guidelines, sales from, and transfers to / from, HTM category exclude the following from the 5% cap:

✓ one-time transfer of securities permitted to be undertaken by banks at the beginning of the accounting year with approval of the Board of Directors;

✓ sales to the RBI under pre-announced open market operation auctions;

✓ repurchase of Government securities by Government of India from banks.

✓ additional shifting of securities explicitly permitted by the RBI from time to time; and

✓ direct sales from HTM for bringing down SLR holdings in the HTM category.

10. Derivatives

- **Forward Rate Agreements (FRA) / Interest Rate Swaps (IRS)***

(₹ crore)

Sr. No.	Particulars	March 31, 2018	March 31, 2017
i)	The total notional principal of swap agreements	308,463.47	238,644.16
ii)	Total losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	1,063.13	917.35
iii)	Collateral required by the Bank upon entering into swaps	-	-
iv)	Concentration of credit risk arising from swaps**	60.62%	69.96%
v)	The fair value of the swap book	113.36	45.32

* *Interest Rate Swaps are comprised of INR Interest Rate Swaps and FCY Interest Rate Swaps.*

** *Concentration of credit risk arising from swaps is with banks as at March 31, 2018 and March 31, 2017.*

The nature and terms of Rupee IRS outstanding as at March 31, 2018 are set out below:

(₹ crore, except numbers)

Nature	Nos.	Notional principal	Benchmark	Terms
Trading	6	225.00	INBMK	Fixed receivable v/s floating payable
Trading	5	275.00	INBMK	Floating receivable v/s fixed payable
Trading	4	1,250.00	INCMT	Floating receivable v/s fixed payable
Trading	1,764	119,743.42	OIS	Fixed receivable v/s floating payable
Trading	1,737	119,993.50	OIS	Floating receivable v/s fixed payable
Trading	272	18,590.00	MIFOR	Fixed receivable v/s floating payable
Trading	200	11,499.00	MIFOR	Floating receivable v/s fixed payable
Total		**271,575.92**		

The nature and terms of foreign currency IRS as on March 31, 2018 are set out below:

(₹ crore, except numbers)

Nature	Nos.	Notional principal	Benchmark	Terms
Trading	2	808.08	EURIBOR	Fixed receivable v/s floating payable

Nature	Nos.	Notional principal	Benchmark	Terms
Trading	2	808.10	EURIBOR	Floating receivable v/s fixed payable
Trading	92	13,236.99	USD LIBOR	Fixed receivable v/s floating payable
Trading	191	21,827.06	USD LIBOR	Floating receivable v/s fixed payable
Total		**36,680.23**		

The nature and terms of foreign currency FRA as on March 31, 2018 are set out below:

(₹ crore, except numbers)

Nature	Nos.	Notional principal	Benchmark	Terms
Trading	6	103.66	USD Libor	Payable FRA
Trading	6	103.66	USD Libor	Receivable FRA
Total		**207.32**		

The nature and terms of rupee IRS as on March 31, 2017 are set out below:

(₹ crore, except numbers)

Nature	Nos.	Notional principal	Benchmark	Terms
Trading	6	225.00	INBMK	Fixed receivable v/s floating payable
Trading	6	375.00	INBMK	Floating receivable v/s fixed payable
Trading	4	1,250.00	INCMT	Floating receivable v/s fixed payable
Trading	1,179	78,502.69	OIS	Fixed receivable v/s floating payable
Trading	1,167	76,008.42	OIS	Floating receivable v/s fixed payable
Trading	292	21,019.00	MIFOR	Fixed receivable v/s floating payable
Trading	218	12,959.00	MIFOR	Floating receivable v/s fixed payable
Trading	7	450.00	MIOIS	Floating receivable v/s fixed payable
Total		**190,789.11**		

The nature and terms of foreign currency IRS as on March 31, 2017 are set out below:

(₹ crore, except numbers)

Nature	Nos.	Notional principal	Benchmark	Terms
Trading	1	17.80	GBP Libor	Fixed receivable v/s floating payable
Trading	1	17.80	GBP Libor	Floating receivable v/s fixed payable
Trading	2	692.93	EURIBOR	Fixed receivable v/s floating payable
Trading	2	692.93	EURIBOR	Floating receivable v/s fixed payable
Trading	110	18,404.28	USD Libor	Fixed receivable v/s floating payable
Trading	194	24,786.81	USD Libor	Floating receivable v/s fixed payable
Hedging	3	3,242.50	USD Libor	Fixed receivable v/s floating payable
Total		**47,855.05**		

There were no foreign currencies FRA outstanding as at March 31, 2017.

- **Exchange traded interest rate derivatives**

(₹ crore)

Sr. No.	Particulars	March 31, 2018	March 31, 2017
i)	The total notional principal amount of exchange traded interest rate derivatives undertaken during the years reported	Nil	Nil
ii)	The total notional principal amount of exchange traded interest rate derivatives outstanding	Nil	Nil
iii)	The notional principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective'	N.A.	N.A.
iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not 'highly effective'	N.A.	N.A.

- **Qualitative disclosures on risk exposure in derivatives**

Overview of business and processes

Derivatives are financial instruments whose characteristics are derived from underlying assets, or from interest and exchange rates or indices. These include forwards, swaps, futures and options. The notional amounts of financial instruments such as foreign exchange contracts and derivatives provide a basis for comparison with the instruments recognised on the Balance Sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The following sections outline the nature and terms of the derivative transactions generally undertaken by the Bank.

Interest rate contracts

Forward rate agreements give the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the settlement date). There is no exchange of principal and settlement is effected on the settlement date. The settlement amount is the difference between the contracted rate and the market rate prevailing on the settlement date.

Interest rate swaps involve the exchange of interest obligations with the counterparty for a specified period without exchanging the underlying (or notional) principal.

Interest rate caps and floors give the buyer the ability to fix the maximum or minimum rate of interest. The writer of the contract pays the amount by which the market rate exceeds or is less than the cap rate or the floor rate respectively. A combination of interest rate caps and floors is known as an interest rate collar.

Interest rate futures are standardised interest rate derivative contracts traded on a recognised stock exchange to buy or sell a notional security or any other interest bearing instrument or an index of such instruments or interest rates at a specified future date, at a price determined at the time of the contract.

Exchange rate contracts

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on future date. These instruments are carried at fair value, determined based on either FEDAI rates or market quotations.

Cross currency swaps are agreements to exchange principal amounts denominated in different currencies. Cross currency swaps may also involve the exchange of interest payments on one specified currency for interest payments in another specified currency for a specified period.

Currency options give the buyer, on payment of a premium, the right but not an obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

Currency futures contract is a standardised contract traded on an exchange, to buy or sell a certain underlying asset or an instrument at a certain date in the future, at a specified price. The underlying instrument of a currency future contract is the rate of exchange between one unit of foreign currency and the INR.

The Bank's derivative transactions relate to sales and trading activities. Sale activities include the structuring and marketing of derivatives to customers to enable them to hedge their market risks (both interest rate and exchange risks), within the framework of regulations as applicable from time to time. The Bank deals in derivatives on its own account (trading activity) principally for the purpose of generating a profit from short term fluctuations in price or yields. The Bank also deals in derivatives to hedge the risk embedded in some of its Balance Sheet assets or liabilities.

Constituents involved in derivative business

The Treasury front-office enters into derivative transactions with customers and inter-bank counterparties. The Bank has an independent back-office and mid-office as per regulatory guidelines. The Bank has a credit and market risk department that assesses various counterparty risk and market risk limits, within the risk architecture and processes of the Bank.

Derivative policy

The Bank has in place a policy which covers various aspects that apply to the functioning of the derivative business. The derivative business is administered by various market risk limits such as position limits, tenor limits, sensitivity limits, GAP limit, scenario based profit and loss limit for option portfolio and value-at-risk limits that are recommended by the Risk Policy and Monitoring Committee ('RPMC') to the Board of Directors for approval. All methodologies used to assess market and credit risks for derivative transactions are specified by the credit and market risk unit. Limits are monitored on a daily basis by the mid-office.

The Bank has implemented a Board approved policy on Customer Suitability & Appropriateness to ensure that derivative transactions entered into are appropriate and suitable to the customer's nature of business / operations. Before entering into a derivative deal with a customer, the Bank scores the customer on various risk parameters and based on the overall score level it determines the kind of product that best suits its risk appetite and the customer's requirements.

Classification of derivatives book

The derivative book is classified into trading and hedging book. Classification of the derivative book is made on the basis of the definitions of the trading and hedging books specified in the RBI guidelines. The trading book is managed within the trading limits approved by the RPMC and the Board of Directors.

Hedging policy

For derivative contracts designated as hedging instruments, the Bank documents, at inception of the hedge, the relationship between the hedging instrument and the hedged item, the risk management objective for undertaking the hedge and the methods used to assess the hedge effectiveness. Hedge effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Hedge effectiveness is measured by the degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

The hedging book consists of transactions to hedge Balance Sheet assets or liabilities. The tenor of hedging instrument may be less than or equal to the tenor of underlying hedged asset or liability. Derivative contracts designated as hedges are not marked to market unless their underlying asset or liability is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Statement of Profit and Loss in the relevant period. Gain or losses arising from hedge ineffectiveness, if any, is recognised in the Statement of Profit and Loss. Foreign exchange forward contracts not intended for trading, that are entered into to establish the amount of reporting currency required or available at the settlement date of a transaction, and are outstanding at the Balance Sheet date, are effectively valued at the closing spot rate. The premia or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

- **Provisioning, collateral and credit risk mitigation**

The Bank enters into derivative transactions with counter parties based on their business ranking and financial position. The Bank sets up appropriate limits upon evaluating the ability of the counterparty to honour its obligations in the event of crystallisation of the exposure. Appropriate credit covenants are stipulated where required, as trigger events to call for collaterals or terminate a transaction and contain the risk.

The Bank, at the minimum, conforms to the RBI guidelines with regard to provisioning requirements. Overdue receivables representing crystallised positive mark-to-market value of a derivative contract are transferred to the account of the borrower and treated as non-performing assets, if these remain unpaid for 90 days or more. Full provision is made for the entire amount of overdue and future receivables relating to positive marked to market value of non-performing derivative contracts.

- **Quantitative disclosure on risk exposure in derivatives**

(₹ crore)

Sr. No.	Particulars	Currency derivatives		Interest rate derivatives	
		March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
1	Derivatives (notional principal amount)				
	a) Hedging	-	156.95	-	3,242.50
	b) Trading	39,591.46	32,999.13	308,677.32	235,908.28
2	Marked to market positions				
	a) Asset (+)	684.79	649.32	1,064.77	918.74
	b) Liability (-)	(722.09)	(571.42)	(951.41)	(857.33)
3	Credit exposure	2,740.20	2,487.65	3,509.79	2,941.53
4	Likely impact of one percentage change in interest rate (100*PV01)				
	a) On hedging derivatives	-	0.08	-	15.79
	b) On trading derivatives	7.62	25.70	33.94	19.11
5	Maximum of 100*PV01 observed during the year				
	a) On hedging	0.24	0.09	15.93	43.06
	b) On trading	31.32	35.47	80.86	79.70
6	Minimum of 100*PV01 observed during the year				

Sr. No.	Particulars	Currency derivatives		Interest rate derivatives	
		March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
	a) On hedging	-	0.02	-	15.79
	b) On trading	0.88	21.27	26.92	19.11

- ✓ As at March 31, 2018, the notional principal amount of outstanding foreign exchange contracts classified as hedging and trading amounted to ₹ 14,070.60 crore (previous year: ₹ 6,302.40 crore) and ₹ 420,396.97 crore (previous year: ₹ 463,627.74 crore) respectively.
- ✓ The notional principal amounts of derivatives reflect the volume of transactions outstanding as at the Balance Sheet date and do not represent the amounts at risk.
- ✓ For the purpose of this disclosure, currency derivatives include currency options purchased and sold and cross currency swaps.
- ✓ Interest rate derivatives include interest rate swaps, forward rate agreements and interest rate caps and floors.
- ✓ The Bank has computed the maximum and minimum of PV01 for the year based on the balances as at the end of every month.
- ✓ In respect of derivative contracts, the Bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of:

  (a) the current replacement cost (marked to market value including accruals) of the contract or zero whichever is higher; and

  (b) the Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factors prescribed in RBI guidelines, which is applied on the basis of the residual maturity and the type of contract.

11. Asset quality

- **Movements in NPAs (funded)**

(₹ crore)

Particulars			March 31, 2018	March 31, 2017
(i)	Net NPAs to net advances		0.40%	0.33%
(ii)	Movement of NPAs (Gross)			
	(a)	Opening balance	5,885.66	4,392.83
	(b)	Additions (fresh NPAs) during the year	12,958.99	7,126.17
	(c)	Reductions during the year:	10,237.68	5,633.34
		- Upgradation	4,163.60	1,519.42
		- Recoveries (excluding recoveries made from upgraded accounts)	2,808.25	1,727.98
		- Write-offs	3,265.83	2,385.94
	(d)	Closing balance	8,606.97	5,885.66
(iii)	Movement of net NPAs			
	(a)	Opening balance	1,843.99	1,320.37
	(b)	Additions during the year	4,917.84	2,357.87
	(c)	Reductions during the year	4,160.81	1,834.25
	(d)	Closing balance	2,601.02	1,843.99
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)			
	(a)	Opening balance	4,041.67	3,072.46
	(b)	Additions during the year	8,041.15	4,768.30
	(c)	Write-offs	3,265.83	2,385.94
	(d)	Write-back of excess provisions	2,811.04	1,413.15
	(e)	Closing balance	6,005.95	4,041.67

NPAs include all loans, investments and foreign exchange and derivatives that are classified as non-performing by the Bank.

- **Technical or prudential write-offs**

Technical or prudential write-offs refer to the amount of non-performing assets which are outstanding in the books of the branches, but have been written-off (fully or partially) at the head office level. The financial accounting systems of the Bank are integrated and there are no write-offs done by the Bank which remain outstanding in the books of the branches. Movement in the stock of technically or prudentially written-off accounts is given below:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Opening balance of technical / prudential write-offs	-	-
Technical / Prudential write-offs during the year	-	-
Recoveries made from previously technically / prudentially written-off accounts during the year	-	-
Closing balance of technical / prudential write-offs	-	-

- **Floating provisions**

Floating provision of ₹ 1,451.28 crore (previous year: ₹ 1,248.01 crore) have been included under "Other Liabilities". Movement in floating provision is given below:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Opening balance	1,248.01	1,335.64
Provisions made/reinstated during the year	523.99	25.00
Draw down made during the year	(320.72)	(112.63)
Closing balance	1,451.28	1,248.01

Floating provisions have been utilised as per the Board approved policy for contingencies under extraordinary circumstances and for making specific provision for impaired accounts in accordance with the RBI guidelines / directives.

- **Divergence in the asset classification and provisioning**

As part of its supervisory process for the year ended March 31, 2017, the RBI had pointed out certain modifications in respect of the Bank's asset classification of three accounts as on March 31, 2017, as per the table below:

(₹ crore)

Sr. No.	Particulars	Amount
(1)	Gross NPAs as at March 31, 2017 as reported by the bank	5,885.66
(2)	Gross NPAs as at March 31, 2017 as assessed by RBI	7,937.42
(3)	Divergence in Gross NPAs (2-1)	2,051.76
(4)	Net NPAs as at March 31, 2017, as reported by the bank	1,843.99
(5)	Net NPAs as at March 31, 2017, as assessed by RBI	3,102.36
(6)	Divergence in Net NPAs (5-4)	1,258.37
(7)	Provisions for NPAs as at March 31, 2017, as reported by the bank	4,041.67
(8)	Provisions for NPAs as at March 31, 2017, as assessed by RBI	4,835.06
(9)	Divergence in provisioning (8-7)	793.39
(10)	Reported Net Profit after Tax (PAT) for the year ended March 31, 2017	14,549.66
(11)	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2017 after taking into account the divergence in provisioning	14,028.24

In respect of each of these accounts, the Bank was a member of the Joint Lenders' Forum (JLF) formed under the then prevailing regulatory framework for revitalizing distressed assets in the economy. The Bank classified these accounts as NPAs during the year ended March 31, 2018 and made adequate provisions for the said accounts.

In relation to one of the above accounts, the Bank had participated in a project loan which underwent flexible structuring under the then prevailing regulatory framework as approved by the JLF in February 2016. Pursuant to a regulatory communication, in October 2017 the said customer account was classified by the Bank as non-performing with effect from March 2016. The JLF in its meeting on December 30, 2017 received confirmations from all lenders, including the Bank, regarding satisfactory performance of the account during the specified period (post February 2016) including confirmation of nil overdues as on December 30, 2017. Hence, in terms of para 17.2.3 of the RBI Master Circular DBR.No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015, the JLF decided to upgrade the account classification to 'standard'. The Bank accordingly upgraded the account classification to 'standard' in its books. The account continues to remain standard at March 31, 2018.

The position as at March 31, 2018 in relation to the divergence is as follows:

(₹ **crore)**

Sr. No.	**Particulars**	**Amount**
1.	Gross NPAs as at March 31, 2017	2,051.76
2.	Upgraded based on JLF decision	(1,707.18)
3.	Net reductions	(45.61)
4.	Balance Gross NPAs as at March 31, 2018	298.97
5.	Specific provisions held for balance Gross NPAs as at March 31, 2018	269.07
6.	Net NPAs as at March 31, 2018 (4-5)	29.90

• **Disclosure on accounts subjected to restructuring for the year ended March 31, 2018:**

(₹ crore, except numbers)

Sr. No.	Type of restructuring		Under Corporate Debt Restructuring (CDR) Mechanism					Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism					Others					Total				
	Asset Classification → Details ↓		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured accounts as at April 1, 2017*	No. of borrowers	3	1	2	-	6	-	-	-	-	-	2	-	4	3	9	5	1	6	3	15
		Amount outstanding	57.69	13.70	26.98	-	98.37	-	-	-	-	-	172.46	-	33.55	7.16	213.17	230.15	13.70	60.53	7.16	311.54
		Provision thereon	2.50	1.00	0.44	-	3.94	-	-	-	-	-	0.50	-	1.44	0.15	2.09	3.00	1.00	1.88	0.15	6.03
2	Fresh restructuring during the year #	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	1	1	1	3	-	1	1	1	3
		Amount outstanding	-	1.43	-	-	1.43	-	-	-	-	-	-	2.16	1,764.84**	1.51	1,768.51	-	3.59	1,764.84	1.51	1,769.94
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradation to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	+1	-	-1	-	-	+1	-	-1	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	1,707.18	-	-1,707.18	-	-	1,707.18	-	-1,707.18	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Advances not shown as restructured standard advances at the beginning of the next year^	No. of borrowers	-1	-	-	-	-1	-	-	-	-	-	-	-	-	-	-	-1				-1
		Amount outstanding	-10.36		-	-	-10.36	-	-	-	-	-	-	-	-	-	-	-10.36				-10.36
		Provision thereon	-		-	-		-	-		-	-	-	-	-	-	-					
5	Down gradation of restructured accounts during the year	No. of borrowers	-2	+2 -1	+1	-	-	-	-	-	-	-	-1	-	+1 -1	+1	-	-3	+2-1	+1+1-1	+1	-
		Amount outstanding	-47.33	33.63	13.70	-	-	-	-	-	-	-	-169.63	-	149.72	19.91	-	-216.96	33.63	163.42	19.91	-
		Provision thereon	-2.50	1.50	1	-	-	-	-	-	-	-	-	-	-	-	-	-2.50	1.50	1	-	-
6	Write-offs of restructured accounts during the year ##	No. of borrowers	-	-	-	-	-	-	-	-	-	-	1	-	2	-	3	1	-	2	-	3
		Amount outstanding	-	4.26	0.03	-	4.29	-	-	-	-	-	409.60	-	41.53	3.63	454.76	409.60	4.26	41.56	3.63	459.05
7	Restructured accounts as at March 31, 2018*	No. of borrowers	-	2	3	-	5	-	-	-	-	-	1	1	2	5	9	1	3	5	5	14
		Amount outstanding	-	44.50	40.65	-	85.15	-	-	-	-	-	1,300.41	2.16	199.40	24.95	1,526.92	1,300.41	46.66	240.05	24.95	1,612.07
		Provision thereon	-	2.50	0.79	-	3.29	-	-	-	-	-	-	-	0.50	1.06	1.56	-	2.50	1.29	1.06	4.85

* Excludes the figures of standard restructured advances which do not attract higher provisioning or risk weight.

^ These are restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year.

** includes an account classified by the Bank during the year as non-performing pursuant to regulatory communication received during the year. (Refer note 11).

includes ₹ 27.16 crore of additional sanction (3 accounts and provision ₹ 1 crore) to existing restructured accounts in CDR and other package.

includes ₹ 446.60 crore (5 accounts and provision ₹ 3.48 crore) of reduction in existing restructured accounts by way of recovery/sale; and ₹ 12.43 crore (3 accounts and provision ₹ 0.54 crore) which are no longer required to be reported as restructured.

- **Disclosure on accounts subjected to restructuring for the year ended March 31, 2017:**

(₹ crore, except numbers)

Sr. No.	Type of restructuring		Under Corporate Debt Restructuring (CDR) Mechanism					Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism					Others					Total				
	Asset Classification → Details ↓		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured accounts as at April 1, 2016*	No. of borrowers	2	1	7	-	10	-	-	-	-	-	2	2	5	-	9	4	3	12	-	19
		Amount outstanding	33.60	41.65	203.56	-	278.81	-	-	-	-	-	172.46	26.69	18.70	-	217.85	206.06	68.34	222.26	-	496.66
		Provision thereon	1.50	-	1.57	-	3.07	-	-	-	-	-	4.00	1.62	0.77	-	6.39	5.50	1.62	2.34	-	9.46
2	Fresh restructuring during the year #	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	0.46	-	-	0.46	-	-	-	-	-	-	-	0.24	-	0.24	-	0.46	0.24	-	0.70
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradation to restructured standard category during the year	No. of borrowers	+2	-	-2 -1	-	-1	-	-	-	-	-	+1	-	-	-	+1	+3	-	-3	-	-
		Amount outstanding	59.98	-	-63.51	-	-3.53	-	-	-	-	-	3.53	-	-	-	3.53	63.51	-	-63.51	-	-
		Provision thereon	0.36	-	-0.87	-	-0.51	-	-	-	-	-	0.51	-	-	-	0.51	0.87	-	-0.87	-	-
4	Advances not shown as restructured standard advances at the beginning of the next year^	No. of borrowers	-		-	-	-	-	-		-	-		-								
		Amount outstanding	-		-	-		-	-		-	-		-								
		Provision thereon	-		-	-		-	-		-	-		-								
5	Down gradation of restructured accounts during the year	No. of borrowers	-1	+1	-	-	-	-	-	-	-	-	-	-2	+2 -3	+3	-	-1	-1	-1	+3	-
		Amount outstanding	-13.24	+13.24	-	-	-	-	-	-	-	-	-	-26.69	+18.64	+8.05	-	-13.24	-13.45	18.64	8.05	-
		Provision thereon	-1.00	+1.00	-	-	-	-	-	-	-	-	-	-1.62	+1.45	+0.17	-	-1.00	-0.62	+1.45	+0.17	-

Sr. No.	Type of restructuring		Under Corporate Debt Restructuring (CDR) Mechanism					Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism					Others					Total				
	Asset Classification → Details ↓		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
6	Write-offs of restructured accounts during the year ##	No. of borrowers	-	1	2	-	3	-	-	-	-	-	1	-	-	-	1	1	1	2	-	4
		Amount outstanding	22.65	41.65	113.07	-	177.37	-	-	-	-	-	3.53	-	4.03	0.89	8.45	26.18	41.65	117.10	0.89	185.82
7	Restructured accounts as at March 31, 2017*	No. of borrowers	3	1	2	-	6	-	-	-	-	-	2	-	4	3	9	5	1	6	3	15
		Amount outstanding	57.69	13.70	26.98	-	98.37	-	-	-	-	-	172.46	-	33.55	7.16	213.17	230.15	13.70	60.53	7.16	311.54
		Provision thereon	2.50	1.00	0.44	-	3.94	-	-	-	-	-	0.50	-	1.44	0.15	2.09	3.00	1.00	1.88	0.15	6.03

* Excludes the figures of standard restructured advances which do not attract higher provisioning or risk weight.

^ These are restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year.

include ₹ 0.70 crore of additional sanction (2 accounts and provision ₹ 1.50 crore) to existing restructured accounts in CDR and other package.

include ₹ 55.91 crore (15 accounts and provision ₹ 4.53 crore) in existing restructured accounts by way of recovery and ₹ 0.05 crore (1 account) is no longer required to be reported as restructured.

- **Details of financial assets sold during the year to securitisation / reconstruction companies (SC / RC) for asset reconstruction are as under:**

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Number of accounts	-	-
Aggregate value (net of provisions) of accounts sold to SC / RC	-	-
Aggregate considerations	-	-
Additional consideration realised in respect of accounts transferred in earlier years	-	-
Aggregate gain / (loss) over net book value	-	-
Provision made to meet shortfall in sale of NPA	-	-
Amount of unamortised provision debited to 'other reserve'	-	-

- **Details of book value of investment in security receipts (SRs) backed by NPAs:**

(₹ crore)

Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago	Total March 31, 2018
(i) Backed by NPAs sold by the Bank as underlying*	190.90	-	-	190.90
Provision held against (i)	-	-	-	-
(ii) Backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	9.72	3.15	-	12.87
Provision held against (ii)	-	-	-	-
Total	**200.62**	**3.15**	**-**	**203.77**

* *During the year ended March 31, 2018, contingent provision of ₹ 76.36 crore was made towards investment in security receipts backed by NPAs sold by the Bank.*

Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago	Total March 31, 2017
(i) Backed by NPAs sold by the Bank as underlying	195.34	0.52	-	195.86
Provision held against (i)	-	-	-	-
(ii) Backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	17.17	10.12	-	27.29
Provision held against (ii)	-	-	-	-
Total	**212.51**	**10.64**	**-**	**223.15**

- During the years ended March 31, 2018 and March 31, 2017, no non-performing financial assets were sold, excluding those sold to SC / RC.

- During the years ended March 31, 2018 and March 31, 2017, no non-performing financial assets were purchased by the Bank.

- Securitised assets as per books of SPVs sponsored by the Bank:

- There are no SPVs sponsored by the Bank as at March 31, 2018 and as at March 31, 2017.

- Accounts under the Scheme for Sustainable Structuring of Stressed Assets (S4A), as on March 31, 2018: Nil (previous year: Nil)

- **Disclosure on Stressed Assets**

(i) Disclosures on Flexible Structuring of Existing Loans

(₹ crore, except numbers)

Financial year ended	No. of borrowers taken up for flexible structuring	Amount of loans taken up for flexible structuring		Exposure weighted average duration of loans taken up for flexible structuring	
		Classified as Standard	Classified as NPA	Before applying flexible structuring	After applying flexible structuring
March 31, 2018	-	-	-	-	-
March 31, 2017	1	39.12	-	8 years	9.5 years

(ii) Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)

(₹ crore, except numbers)

Financial year ended	No. of accounts where SDR has been invoked	Amount outstanding		Amount outstanding with respect to accounts where conversion of debt to equity is pending		Amount outstanding with respect to accounts where conversion of debt to equity has taken place	
		Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
March 31, 2018	-	-	-	-	-	-	-
March 31, 2017	1	73.06	-	-	-	73.06*	-

* of which ₹ 32.87 crore of loans where conversion to equity has taken place.

(iii) Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period) as at March 31, 2018: Nil (previous year :Nil).

(iv) Change in Ownership of Projects Under Implementation (accounts which are currently under the stand-still period) as at March 31, 2018 : Nil (previous year Nil).

12. Details of exposures to real estate and capital market sectors, risk category-wise country exposures, factoring exposures, single / group borrower exposures, unsecured advances and concentration of deposits, advances, exposures and NPAs

- **Details of exposure to real estate sector**

Exposure is higher of limits sanctioned or the amounts outstanding as at the year end.

(₹ crore)

Category			March 31, 2018	March 31, 2017
a)	**Direct exposure**		**73,654.38**	**65,289.89**
(i)	Residential mortgages*		41,460.65	42,401.22
	(of which housing loans eligible for inclusion in priority sector advances)		(16,475.22)	(18,951.24)
(ii)	Commercial real estate		32,185.51	22,877.26
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures:			
	(a)	Residential	8.21	11.41
	(b)	Commercial real estate	-	-
b)	**Indirect exposure**		**22,249.51**	**17,832.36**
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)			22,249.51	17,832.36
Total exposure to real estate sector			**95,903.89**	**83,122.25**

* *includes loans purchased under the direct loan assignment route*

Of the above, exposure to real estate developers as at March 31, 2018 is 0.6%(previous year: 0.5%) of total advances.

- **Details of capital market exposure**

Exposure is higher of limits sanctioned or the amount outstanding as at the year end.

(₹ crore)

Sr. No.	Particulars	March 31, 2018	March 31, 2017
(i)	Direct investments made 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	90.61	90.97
(ii)	Advances against shares, bonds, debentures or other securities or on clean basis to individuals for investment in shares (including IPO's / ESOP's), convertible bonds, convertible debentures and units of equity oriented mutual funds	158.96	186.94
(iii)	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	5,421.51	3,604.58
(iv)	Advances for any other purposes to the extent secured by collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	232.66	169.59
(v)	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers	10,915.99	8,165.08
(vi)	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	2,262.75	1,390.31
(vii)	Bridge loans to companies against expected equity flows / issues	-	-
(viii)	Underwriting commitments taken up in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
(ix)	Financing to stock brokers for margin trading	-	-
(x)	All exposures to venture capital funds (both registered and unregistered)	4.10	0.25
	Total exposure to capital market	**19,086.58**	**13,607.72**

- **Details of risk category wise country exposure**

(₹ crore)

Risk Category	March 31, 2018		March 31, 2017	
	Exposure (net)	Provision held	Exposure (net)	Provision held
Insignificant	18,538.08	-	17,177.70	-
Low	9,103.81	-	9,653.78	-
Moderately low	486.54	-	247.75	-
Moderate	350.17	-	164.44	-
Moderately high	37.20	-	9.48	-
High	-	-	-	-
Very high	0.18	-	-	-
Total	**28,515.98**	**-**	**27,253.15**	**-**

- **Details of factoring exposure**

The factoring exposure of the Bank as at March 31, 2018 is ₹ 2,334.53 crore (previous year: ₹ 2,036.11 crore).

- **Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the Bank**

The RBI has prescribed single and group borrower exposure limits linked to a bank's capital funds. These limits can be enhanced by a further 5 percent thereof with the approval of the Board of Directors of the Bank. During the year ended March 31, 2018 and March 31, 2017 the Bank was within the limits prescribed by the RBI.

- **Unsecured advances**

  Advances for which intangible collaterals such as rights, licenses, authority, trademarks, patents, etc. are charged in favour of the Bank in respect of projects financed by the Bank, are reckoned as unsecured advances under Schedule 9 of the Balance Sheet in line with extant RBI guidelines. There are no such advances outstanding as at March 31, 2018 (previous year: Nil).

- **Inter-bank Participation with risk sharing**

  The aggregate amount of participation issued by the Bank and reduced from advances as per regulatory guidelines as at March 31, 2018 was ₹ 24,454.84 crore (previous year: ₹ 7,500.00 crore).

- **Concentration of deposits, advances, exposures and NPAs**

a) Concentration of deposits

(₹ crore, except percentages)

Particulars	March 31, 2018	March 31, 2017
Total deposits of twenty largest depositors	50,066.89	35,562.76
Percentage of deposits of twenty largest depositors to total deposits of the Bank	6.3%	5.5%

b) Concentration of advances

(₹ crore, except percentages)

Particulars	March 31, 2018	March 31, 2017
Total advances to twenty largest borrowers	92,114.45	83,962.09
Percentage of advances of twenty largest borrowers to total advances of the Bank	9.0%	9.4%

Advances comprise credit exposure (funded and non-funded credit limits) including derivative transactions computed as per current exposure method in accordance with RBI guidelines.

c) Concentration of exposure

(₹ crore, except percentages)

Particulars	March 31, 2018	March 31, 2017
Total exposure to twenty largest borrowers / customers	1,04,796.59	90,046.09
Percentage of exposure of twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	9.7%	9.5%

Exposures comprise credit exposure (funded and non-funded credit limits) including derivative transactions and investment exposure in accordance with RBI guidelines.

d) Concentration of NPAs

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Total gross exposure to top four NPA accounts	708.09	588.99

e) Sector-wise advances

(₹ crore)

Sr. No.	Sector	As at March 31, 2018			As at March 31, 2017		
		Gross advances	Gross non-performing loans	% of gross non-performing loans to gross advances in that sector	Gross advances	Gross non-performing loans	% of gross non-performing loans to gross advances in that sector
A	**Priority sector**						
1	Agriculture and allied activities	73,513.50	2,514.60	3.42%	63,186.16	1,279.98	2.03%
2	Advances to industries eligible as priority sector lending	28,405.11	483.71	1.70%	26,209.92	480.78	1.83%

Sr. No.	Sector	As at March 31, 2018			As at March 31, 2017		
		Gross advances	Gross non-performing loans	% of gross non-performing loans to gross advances in that sector	Gross advances	Gross non-performing loans	% of gross non-performing loans to gross advances in that sector
3	Services	52,995.58	990.26	1.87%	52,361.67	678.46	1.30%
4	Personal loans	20,514.50	19.26	0.09%	22,350.27	14.43	0.06%
	Sub-total (A)	**175,428.69**	**4,007.83**	**2.28%**	**164,108.02**	**2,453.65**	**1.50%**
B	**Non Priority sector**						
1	Agriculture and allied activities	14,131.18	149.41	1.06%	6,905.78	74.89	1.08%
2	Industry	141,126.81	1,783.60	1.26%	127,366.08	1,243.07	0.98%
3	Services	155,844.46	1,114.86	0.72%	127,937.51	1,037.87	0.81%
4	Personal loans	177,723.19	1,451.16	0.82%	132,249.25	1,016.40	0.77%
	Sub-total (B)	**488,825.65**	**4,499.03**	**0.92%**	**394,458.62**	**3,372.23**	**0.85%**
	Total (A) + (B)	**664,254.34**	**8,506.86**	**1.28%**	**558,566.64**	**5,825.88**	**1.04%**

- **Details of Priority Sector Lending Certificates (PSLCs)**

(₹ crore)

Type of PSLCs	For the year ended March 31, 2018		For the year ended March 31, 2017	
	PSLC bought during the year	PSLC sold during the year	PSLC bought during the year	PSLC sold during the year
Agriculture	-	-	-	500.00
Small and Marginal farmers	22,251.00	-	3,269.50	21.25
Micro Enterprises	5,520.00	-	-	-
General	-	730.75	-	1,000.00
Total	**27,771.00**	**730.75**	**3,269.50**	**1,521.25**

13. Other fixed assets

Other fixed assets includes amount capitalised relating to software having useful life of five years. Details regarding the same are tabulated below:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Cost		
As at March 31 of the previous year	2,139.70	1,737.09
Additions during the year	251.89	402.61
Deductions during the year	-	-
Total (a)	**2,391.59**	**2,139.70**
Depreciation		
As at March 31 of the previous year	1,473.76	1,218.53
Charge for the year	274.85	255.23
On deductions during the year	-	-
Total (b)	**1,748.61**	**1,473.76**
Net value (a-b)	**642.98**	**665.94**

14. Other assets

- Other assets include deferred tax asset (net) of ₹ 3,344.02 crore (previous year: ₹ 2,447.34 crore). The break-up of the same is as follows:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Deferred tax asset arising out of:		
Loan loss provisions	2,780.22	2,079.97
Employee benefits	177.65	167.38
Others	439.88	321.47
Total (a)	**3,397.75**	**2,568.82**
Deferred tax liability arising out of:		

Particulars	March 31, 2018	March 31, 2017
Depreciation	(53.73)	(121.48)
Total (b)	**(53.73)**	**(121.48)**
Deferred tax asset (net) (a-b)	**3,344.02**	**2,447.34**

- Key items under "Others" in Other assets are as under:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Deposit with NABARD / SIDBI / NHB - PSL shortfall	13,357.25	11,882.37
Unrealised gain on foreign exchange and derivative contracts*	5,091.67	14,014.05
Deferred tax assets	3,344.02	2,447.34
Deposits & amounts paid in advance	1,802.24	1,740.75
Accounts receivable	1,827.87	1,568.79
Residual items	2.50	2.50
Total	**25,425.55**	**31,655.80**

* *The Bank has presented gross unrealised gain on foreign exchange and derivative contracts under other assets and gross unrealised loss on foreign exchange and derivative contracts under other liabilities.*

15. Maturity pattern of key assets and liabilities

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI.

(₹ crore)

As at March 31, 2018	1 day	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans & advances	7,576.77	15,595.85	8,998.08	16,761.35	25,923.12	24,479.04	54,180.80	73,835.48	309,575.08	67,750.31	53,657.21	658,333.09
Investments	42,520.53	20,050.34	5,008.14	4,991.47	6,668.55	11,161.33	16,409.62	24,204.36	70,557.07	9,961.29	30,667.54	242,200.24
Deposits	8,764.67	27,879.20	19,884.35	20,288.79	39,865.37	30,966.08	73,988.61	111,569.04	310,254.54	14,733.73	130,576.26	788,770.64
Borrowings	580.88	18,304.43	3,700.57	3,367.61	3,347.70	3,768.64	19,821.93	17,665.13	18,394.64	17,178.45	16,975.00	123,104.98
Foreign currency assets	2,201.21	14,178.73	3,697.27	7,013.44	3,729.18	4,106.12	5,741.10	2,185.58	3,847.69	1,601.45	497.32	48,799.09
Foreign currency liabilities	1,096.38	3,413.00	2,262.86	4,359.14	5,105.05	4,910.08	10,960.50	10,188.61	6,372.52	1,930.31	9,181.63	59,780.08

(₹ crore)

As at March 31, 2017	1 day	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans & advances	6,539.06	15,084.56	9,469.18	23,487.16	23,100.12	22,790.90	44,683.49	63,909.96	246,074.88	55,114.69	44,314.20	554,568.20
Investments	41,394.34	5,785.29	5,563.97	8,019.55	10,862.06	10,667.74	13,380.35	20,057.43	60,186.46	7,944.59	30,601.56	214,463.34
Deposits	10,336.50	26,933.57	16,982.56	14,231.55	23,725.46	23,778.34	43,975.61	69,790.72	287,584.72	13,494.82	112,805.81	643,639.66
Borrowings	313.31	3,248.71	1,622.08	3,545.16	5,072.85	2,588.29	6,431.74	16,178.33	12,543.50	6,319.90	16,165.00	74,028.87
Foreign currency assets	4,588.42	9,521.48	2,432.05	5,393.34	3,493.54	3,532.92	4,448.81	3,636.09	4,247.19	1,724.90	303.32	43,322.06
Foreign currency liabilities	1,595.20	2,863.76	2,144.67	4,356.23	5,713.99	3,212.35	4,487.00	7,486.47	11,400.66	1,784.51	1,231.75	46,276.59

Classification of assets and liabilities under the maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI. Maturity profile of foreign currency assets and liabilities excludes off-balance sheet items.

16. Provisions and contingent liabilities

Given below is the movement in provisions and a brief description of the nature of contingent liabilities recognised by the Bank.

a) Provision for credit card and debit card reward points

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Opening provision for reward points	431.24	306.36
Provision for reward points made during the year	261.95	334.24
Utilisation / write-back of provision for reward points	(222.07)	(209.36)
Closing provision for reward points	471.12	431.24

b) Provision for legal and other contingencies

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Opening provision	311.90	344.56
Movement during the year (net)	2.11	(32.66)
Closing provision	314.01	311.90

c) Provision pertaining to fraud accounts

Particulars	March 31, 2018	March 31, 2017
No. of frauds reported during the year	3,612	2,319
Amount involved in fraud (₹ crore)	146.55	165.20
Amount involved in fraud net of recoveries / write-offs as at the end of the year (₹ crore)	119.02	20.83
Provisions held as at the end of the year (₹ crore)	119.02	20.83
Amount of unamortised provision debited from "other reserves" as at the end of the year (₹ crore)	-	-

d) Description of contingent liabilities

Sr. No.	Contingent liability*	Brief description
1	Claims against the Bank not acknowledged as debts - taxation	The Bank is a party to various taxation matters in respect of which appeals are pending. The Bank expects the outcome of the appeals to be favorable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and taxation laws.
2	Claims against the Bank not acknowledged as debts - others	The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
3	Liability on account of forward exchange and derivative contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants 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 one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts of financial instruments such as foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the Balance Sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms.
4	Guarantees given on behalf of constituents, acceptances,	As a part of its commercial banking activities, the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the Bank's customers. Guarantees generally represent irrevocable assurances that the Bank will

Sr. No.	Contingent liability*	Brief description
	endorsements and other obligations	make payments in the event of the customer failing to fulfill its financial or performance obligations.
5	Other items for which the Bank is contingently liable	These include: a) Credit enhancements in respect of securitised-out loans; b) Bills rediscounted by the Bank; c) Capital commitments; d) Underwriting commitments; e) Investment purchases pending settlement; f) Amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF).

* *Also refer Schedule 12 - Contingent liabilities*

17. Business ratios / information

Particulars	March 31, 2018	March 31, 2017
Interest income as a percentage to working funds[1]	8.86%	8.95%
Net interest income as a percentage to working funds	4.43%	4.28%
Non-interest income as a percentage to working funds	1.68%	1.59%
Operating profit[2] as a percentage to working funds	3.60%	3.32%
Return on assets (average)	1.93%	1.88%
Business[3] per employee (₹ in crore)	15.08	12.36
Profit per employee[4] (₹ in crore)	0.20	0.16
Gross non-performing assets to gross advances[5]	1.30%	1.05%
Gross non-performing advances to gross advances	1.28%	1.04%
Percentage of net non-performing assets[6] to net advances[7]	0.40%	0.33%
Provision coverage ratio[8]	69.78%	68.67%

Definitions of certain items in Business ratios / information:

1. *Working funds is the daily average of total assets during the year.*
2. *Operating profit is net profit for the year before provisions and contingencies and profit / (loss) on sale of building and other assets (net).*
3. *"Business" is the total of average of net advances and deposits (net of inter-bank deposits).*
4. *Productivity ratios are based on average employee numbers.*
5. *Gross advances are net of bills rediscounted and interest in suspense.*
6. *Net NPAs are non-performing assets net of specific provisions, ECGC claims received, provisions for funded interest term loans classified as NPAs and provisions in lieu of diminution in the fair value of restructured assets classified as NPAs.*
7. *Net advances are equivalent to gross advances net of specific loan loss provisions, ECGC claims received, provision for funded interest term loans classified as NPA and provisions in lieu of diminution in the fair value of restructured assets.*
8. *Provision coverage ratio does not include assets written-off.*

18. Interest income

Interest income under the sub-head Income from Investments includes dividend on units of mutual funds and equity and preference shares received during the year ended March 31, 2018 amounting to ₹ 160.59 crore (previous year: ₹ 256.64 crore).

19. Earnings from standard assets securitised-out

There are no Special Purpose Vehicles ('SPV's) sponsored by the Bank for securitisation transactions. During the years ended March 31, 2018 and March 31, 2017, there were no standard assets securitised-out by the Bank.

Form and quantum of services and liquidity provided by way of credit enhancement

The Bank has provided credit and liquidity enhancements in the form of cash collaterals / guarantees / subordination of cash flows etc., to the senior Pass Through Certificates ('PTC's) as well as in loan assignment transactions. The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines. The total value of credit enhancement outstanding in the books as at March 31, 2018 was ₹ 223.25 crore (previous year: ₹ 224.31 crore) and outstanding servicing liability was ₹ 0.05 crore (previous year: ₹ 0.07 crore).

20. Other income

- **Commission, exchange and brokerage income**

  ✓ Commission, exchange and brokerage income is net of correspondent bank charges.

  ✓ Commission income for the year ended March 31, 2018 includes fees of ₹ 1,192.34 crore (previous year: ₹ 798.35 crore) in respect of life insurance business, of which ₹ 406.77 crore (previous year: ₹ 228.63 crore) is for displaying publicity materials at the Bank's branches/ATMs and ₹ 203.43 crore (previous year: ₹ 157.58 crore) is in respect of general insurance business.

- **Miscellaneous income**

  Miscellaneous income includes recoveries from written-off accounts amounting to ₹ 1,093.84 crore (previous year: ₹ 864.31 crore).

21. Other expenditure

Other expenditure includes commission paid to sales agents amounting to ₹ 2,427.96 crore (previous year: ₹ 1,906.80 crore), exceeding 1% of the total income of the Bank.

22. Provisions and contingencies

The break-up of provisions and contingencies included in the Statement of Profit and Loss is given below:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Provision for income tax		
- Current	10,107.25	7,916.97
- Deferred	(896.68)	(327.54)
Provision for NPAs	4,910.43	3,145.30
Provision for diminution in value of non-performing investments	30.45	(7.64)
Provision for standard assets	597.43	392.18
Other provisions and contingencies*	389.18	63.46
Total	**15,138.06**	**11,182.73**

* *Includes provisions for tax, legal and other contingencies ₹ 390.04 crore (previous year: ₹ 38.34 crore), floating provisions Nil (previous year: ₹ 25.00 crore), provisions / (write-back) for securitised-out assets ₹ 2.14 crore (previous year: ₹ 2.62 crore) and standard restructured assets ₹ (3.00) crore (previous year: ₹ (2.50) crore).*

23. Employee benefits

Gratuity

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	488.00	390.47
Interest cost	35.12	26.36
Current service cost	65.19	62.57
Benefits paid	(39.53)	(38.49)
Actuarial (gain) / loss on obligation:		
Experience adjustment	10.44	35.48
Assumption change	(16.25)	11.61
Present value of obligation as at March 31	**542.97**	**488.00**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	355.57	287.93
Expected return on plan assets	27.02	22.52
Contributions	73.21	47.95
Benefits paid	(39.53)	(38.49)
Actuarial gain / (loss) on plan assets:		

Particulars	March 31, 2018	March 31, 2017
Experience adjustment	0.13	32.44
Assumption change	-	3.22
Fair value of plan assets as at March 31	**416.40**	**355.57**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	416.40	355.57
Present value of obligation as at March 31	(542.97)	(488.00)
Asset / (liability) as at March 31	**(126.57)**	**(132.43)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	35.12	26.36
Current service cost	65.19	62.57
Expected return on plan assets	(27.02)	(22.52)
Net actuarial (gain) / loss recognised in the year	(5.94)	11.42
Net cost	**67.35**	**77.83**
Actual return on plan assets	27.15	58.18
Estimated contribution for the next year	88.29	73.21
Assumptions		
Discount rate	7.5% per annum	7.1% per annum
Expected return on plan assets	7.0% per annum	7.0% per annum
Salary escalation rate	8.0% per annum	8.0% per annum

Experience adjustment

(₹ crore)

Particulars	Years ended March 31,				
	2018	**2017**	**2016**	**2015**	**2014**
Plan assets	416.40	355.57	287.93	242.88	172.60
Defined benefit obligation	542.97	488.00	390.47	310.59	237.43
Surplus / (deficit)	(126.57)	(132.43)	(102.54)	(67.71)	(64.83)
Experience adjustment gain / (loss) on plan assets	0.13	32.44	(13.69)	21.35	1.87
Experience adjustment (gain) / loss on plan liabilities	10.44	35.48	16.24	4.59	5.87

Expected rate of return on investments is determined based on the assessment made by the Bank at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as of March 31, 2018 are given below:

Category of plan assets	% of fair value to total plan assets as at March 31, 2018
Government securities	25.2
Debenture and bonds	28.9
Equity shares	43.1
Others	2.8
Total	100.0

Pension

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	73.55	70.88
Interest cost	5.19	4.80
Current service cost	0.74	1.23
Benefits paid	(8.75)	(6.62)
Actuarial (gain) / loss on obligation:		
Experience adjustment	3.95	4.65
Assumption change	(1.62)	(1.39)
Present value of obligation as at March 31	**73.06**	**73.55**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	36.16	38.38
Expected return on plan assets	2.36	2.61

Particulars	March 31, 2018	March 31, 2017
Contributions	0.94	1.03
Benefits paid	(8.75)	(6.62)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	0.59	0.39
Assumption change	-	0.37
Fair value of plan assets as at March 31	**31.30**	**36.16**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	31.30	36.16
Present value of obligation as at March 31	(73.06)	(73.55)
Asset / (liability) as at March 31	**(41.76)**	**(37.39)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	5.19	4.80
Current service cost	0.74	1.23
Expected return on plan assets	(2.36)	(2.61)
Net actuarial (gain) / loss recognised in the year	1.74	2.50
Net cost	**5.31**	**5.92**
Actual return on plan assets	2.95	3.37
Estimated contribution for the next year	13.79	7.18
Assumptions		
Discount rate	7.5% per annum	7.1% per annum
Expected return on plan assets	7.0% per annum	7.0% per annum
Salary escalation rate	8.0% per annum	8.0% per annum

Experience adjustment

(₹ crore)

Particulars	Years ended March 31,				
	2018	2017	2016	2015	2014
Plan assets	31.30	36.16	38.38	41.91	47.99
Defined benefit obligation	73.06	73.55	70.88	57.45	58.89
Surplus / (deficit)	(41.76)	(37.39)	(32.50)	(15.54)	(10.90)
Experience adjustment gain / (loss) on plan assets	0.59	0.39	1.43	(2.38)	3.45
Experience adjustment (gain) / loss on plan liabilities	3.95	4.65	17.35	(0.19)	3.62

Expected rate of return on investments is determined based on the assessment made by the Bank at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as of March 31, 2018 are given below:

Category of plan assets	% of fair value to total plan assets as at March 31, 2018
Government securities	5.9%
Debenture and bonds	78.9%
Others	15.2%
Total	100.0%

Provident fund

The guidance note on AS-15, Employee Benefits, states that employer established provident funds, where interest is guaranteed are to be considered as defined benefit plans and the liability has to be valued. The Institute of Actuaries of India (IAI) has issued a guidance note on valuation of interest rate guarantees on exempt provident funds. The actuary has accordingly valued the same and the Bank held a provision of Nil as at March 31, 2018 (previous year: Nil), towards the present value of the guaranteed interest benefit obligation. The actuary has followed the deterministic approach as prescribed by the guidance note.

Assumptions

Particulars	March 31, 2018	March 31, 2017
Discount rate (GOI security yield)	7.5% per annum	7.1% per annum

Particulars	March 31, 2018	March 31, 2017
Expected guaranteed interest rate	8.6% per annum	8.7% per annum

The Bank does not have any unfunded defined benefit plan. The Bank contributed ₹ 222.84 crore (previous year: ₹ 216.86 crore) to the provident fund and ₹ 67.68 crore (previous year: ₹ 78.67 crore) to the superannuation plan.

Compensated absences

The actuarial liability of compensated absences of accumulated privileged and sick leaves of the employees of the Bank is given below:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Privileged leave	259.46	237.24
Sick leave	61.91	52.95
Total actuarial liability	**321.37**	**290.19**
Assumptions		
Discount rate	7.5% per annum	7.1% per annum
Salary escalation rate	8.0% per annum	8.0% per annum

24. Disclosures on remuneration

Qualitative Disclosures

A. Information relating to the bodies that oversee remuneration

Name and composition

The Board of Directors of the Bank has constituted the Nomination and Remuneration Committee (hereinafter, the ‘NRC’) for overseeing and governing the compensation policies of the Bank. The NRC is comprised of three independent directors as of March 31, 2018. Further, two members of the NRC are also members of the Risk Policy and Monitoring Committee (hereinafter, the ‘RPMC’) of the Board.

The NRC is comprised of Mrs. Shyamala Gopinath, Mr. Partho Datta and Mr. Bobby Parikh. Further, Mrs. Shyamala Gopinath and Mr. Partho Dutta are also members of the RPMC. Mr. Bobby Parikh is the chairperson of the NRC. During the year ended March, 31, 2018, Mr. A.N Roy ceased to be a member of the NRC pursuant to his resignation from the Board of Directors of the Bank.

Mandate of the NRC

The primary mandate of the NRC is to oversee the implementation of compensation policies of the Bank. The NRC periodically reviews the overall compensation policy of the Bank with a view to attract, retain and motivate employees. In this capacity it is required to review and approve the design of the total compensation framework, including compensation strategy programs and plans, on behalf of the Board of Directors. The compensation structure and pay revision for Whole Time Directors is also approved by the NRC. The NRC co-ordinates with the RPMC to ensure that compensation is aligned with prudent risk taking.

External Consultants

The Bank employed the services of the following consulting firms in the area of compensation and benefits and human resources:

AON: The Bank employed the services of AON in the area of compensation market benchmarking and executive compensation. AON, apart from being a globally reputed consulting firm, has the longest running year on year banking study in India and was found to be the most appropriate by the NRC.

Cedar Consulting: The Bank employed the services of Cedar Consulting to review and recommend key scorecard measures for the Whole Time Directors.

Scope of the Bank’s Remuneration Policy

The Remuneration Policy of the Bank includes within its scope all business lines, all permanent staff in its domestic as well as international offices. Further the principles articulated in the compensation policy are universal, however in the event there are any statutory provisions in overseas locations the same take precedence over the remuneration policy of the Bank.

All permanent employees of the Bank except those covered under the long term wage agreement are covered by the said compensation policy. The number of employees covered under the compensation policy was 87,983 as at March 31, 2018 (previous year: 84,041).

B. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy

I. Key Features and Objectives of Remuneration Policy

The Bank's Compensation Policy (the 'Policy') is aligned to business strategy, market dynamics, internal characteristics and complexities within the Bank. The ultimate objective of the Policy is to provide a fair and transparent structure that helps in acquiring and retaining the talent pool critical to build competitive advantage and brand equity. The Policy has been designed basis the principles for sound compensation practices in accordance with regulatory requirements and provides a framework to create, modify and maintain appropriate compensation programs and processes with adequate supervision and control.

The Bank's performance management system provides a sound basis for assessing employee performance holistically. The Bank's compensation framework is aligned with the performance management system and differentiates pay appropriately amongst its employees based on degree of contribution, skill and availability of talent owing to competitive market forces by taking into account factors such as role, skills, competencies, experience and grade / seniority.

The NRC reviews the following critical principles enunciated in the policy and ensures that:

(a) the compensation is adjusted for all types of prudent risk taking;

(b) compensation outcomes are symmetric with risk outcomes;

(c) compensation payouts are sensitive to the time horizon of risk; and

(d) the mix of cash, equity and other forms of compensation are aligned with risk.

II. Design and Structure of Remuneration

a) Fixed Pay

The NRC ensures that the fixed component of the compensation is reasonable, taking into account all relevant factors including industry practice.

Elements of Fixed Pay

The fixed pay component of the Bank's compensation structure typically consists of elements such as base salary, allowances, perquisites, retirement and other employee benefits. Perquisites extended are in the nature of company car, hard furnishing, company leased accommodation, club membership and such other benefits or allowances in lieu of such perquisites / benefits. Retirement benefits include contributions to provident fund, superannuation fund (for certain job bands) and gratuity. The Whole Time Directors of the Bank are entitled to other post-retirement benefits such as car and medical facilities, in accordance with specified terms of employment as per the policy of the Bank, subject to RBI approval. The Bank also provides pension to certain employees of the erstwhile Lord Krishna Bank (eLKB) under the Indian Banks' Association ('IBA') structure.

Determinants of Fixed Pay

The fixed pay is primarily determined by taking into account factors such as the job size, performance, experience, location, market competitiveness of pay and is designed to meet the following key objectives of:

(a) fair compensation given the role complexity and size;

(b) fair compensation given the individual's skill, competence, experience and market pay position;

(c) sufficient contribution to post retirement benefits; and

(d) compliance with all statutory obligations.

For Whole Time Directors additional dimensions such as prominence of leadership among industry leaders, consistency of the Bank's performance over the years on key parameters such as profitability, growth and asset quality in relation to its own past performance and that of its peer banks would be considered. The quantum of fixed pay for Whole Time Directors is approved by the NRC as well as the Board and is subject to the approval of the RBI.

b) Variable Pay

The performance management system forms the basis for variable pay allocation of the Bank. The Bank ensures that the performance management system is comprehensive and considers both, quantitative and qualitative performance measures.

Whole Time Directors

The bonus for Whole Time Directors does not exceed 70% of the fixed pay in a year, thereby ensuring that there is a balance between the fixed and variable pays. The variable pay for Whole Time Directors is approved by the NRC as well as the Board and is subject to the approval of the RBI. The variable pay component is paid out subject to the following conditions:

- Where the variable pay constitutes 50% or more of the fixed pay, a portion of the same would be deferred as per the schedule mentioned in the table below:

Portion of Variable Pay	Timelines
60%	Payable effective April 1 of the financial year immediately following the performance year.
13.33%	Payable effective April 1 of the second financial year following the reference performance year.
13.33%	Payable effective April 1 of the third financial year following the reference performance year.
13.33%	Payable effective April 1 of the fourth financial year following the reference performance year.

- The Bank has devised appropriate malus and claw back clauses as a risk mitigant for any negative contributions of the Bank and / or relevant line of business in any year. Under the malus clause the incumbent foregoes the vesting of the deferred variable pay in full or in part. Under the claw back clause the incumbent is obligated to return all the tranches of payout received of bonus amounts pertaining to the relevant performance year. The deferred bonus is paid out post review and approval by the NRC.

Employees other than Whole Time Directors

The Bank has formulated the following variable pay plans:

- Annual bonus plan

  The quantum of variable payout is a function of the performance of the Bank, performance of the business unit, performance of the individual employee, job band of the employee and the functional category. Basis these key determinants and due adjustment for risk alignment, a payout matrix for variable pay is developed. Market trends for specific businesses / functions along with inputs from compensation surveys may also be used in finalising the payout.

  Bonus pools are designed to meet specific business needs therefore resulting in differentiation in both the quantum and the method of payout across functions. Typically higher levels of responsibility receive a higher proportion of variable pay vis-à-vis fixed pay. The Bank ensures that the time horizon for risk is assessed and the deferment period, if any, for bonus is set accordingly. Employees on the annual bonus plan are not part of performance-linked plans. The following is taken into account while administering the annual bonus:

  ✓ In the event the proportion of variable pay to fixed pay is substantially high (variable pay exceeding 50% of fixed pay), the Bank may devise an appropriate deferment schedule after taking into consideration the nature of risk, time horizon of risk, and the materiality of risk.

- ✓ In cases of deferment of variable pay the Bank makes an assessment prior to the due date for payment of the deferred portion for any negative contribution. The criteria for negative contribution are decided basis pre-defined financial benchmarks. The Bank has in place appropriate methods for prevention of vesting of deferred variable pay or any part thereof, on account of negative contribution. The Bank also has in place claw back arrangements in relation to amounts already paid in the eventuality of a negative contribution.

- Performance-linked Plans (PLPs)

  PLPs are formulated for sales personnel who are given sales targets but have limited impact on risk since credit decisions are exercised independent of the sales function. All PLP payouts are based on a balanced scorecard framework which factors not just quantitative, but also qualitative measures, such as quality of business sourced, customer complaints etc., and are subject to achievement of individual targets enumerated in the respective scorecards of the employees. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks.

Review of Remuneration Policy of the Bank

The Compensation Policy of the Bank was reviewed by the NRC during the year ended March 31, 2018 and the following material changes were incorporated therein:

- Inclusion of definition of inadequacy of profits as per section 197 of the Companies Act, 2013

- With effect from April 1, 2017, the Bank has amended its policy for grant of ESOPs. Under this policy, ESOPs granted to eligible employees vest over three tranches spread over a period of 39 months vis-à-vis 36 months for the earlier grants. The first tranche will vest after fifteen months from the date of grant vis-à-vis twelve months for earlier grants. Vesting for all ESOPs granted subsequent to April 1, 2017 shall be based on the assessment of performance of the employee at the time of vesting.

c) Guaranteed Bonus

Guaranteed bonuses may not be consistent with sound risk management or pay for performance principles of the Bank and therefore do not form an integral part of the general compensation practice.

For critical hiring for some select strategic roles, the Bank may consider granting of a sign-on bonus as a prudent way to avoid loading the entire cost of attraction into the fixed component of the compensation which could have a long term cost implication for the Bank. For such hiring, the sign-on bonus is generally decided by taking into account appropriate risk factors and market conditions.

For hiring at levels of Whole Time Directors / Managing Director a sign-on bonus, if any, is limited to the first year only and is in the form of Employee Stock Options.

d) Employee Stock Option Plan ('ESOP's)

The Bank considers ESOPs as a vehicle to create a balance between short term rewards and long term sustainable value creation. ESOPs play a key role in the attraction and retention of key talent. The Bank grants equity share options to its Whole Time Directors and other employees above a certain grade. All plans for grant of options are framed in accordance with the SEBI guidelines, 1999 as amended from time to time and are approved by the shareholders of the Bank. These plans provide for the grant of options post approval by the NRC.

The grant of options is reviewed and approved by the NRC. The NRC grants options after considering parameters such as the incumbent's grade and performance rating, and such other factors as may be deemed appropriate by the NRC. Equity share options granted to the Whole Time Directors are subject to the approval of the NRC, the Board and the RBI. With effect from April 1, 2017, the Bank has amended its policy for grant of ESOPs. Under this policy, ESOPs granted to eligible employees vest over three tranches spread over a period of 39 months vis-à-vis 36 months for the earlier grants. The first tranche will vest after fifteen months from the date of grant vis-à-vis twelve months for earlier grants. Vesting for all ESOPs granted subsequent to April 1, 2017 shall be based on the assessment of performance of the employee at the time of vesting.

e) **Severance Pay**

The Bank does not grant severance pay other than accrued benefits (such as gratuity, pension) except in cases where it is mandated by any statute.

f) **Hedging**

The Bank does not provide any facility or fund or permit its Whole Time Directors and employees to insure or hedge their compensation structure to offset the risk alignment effects embedded in their compensation arrangement.

g) **Statutory Bonus**

Some section of employees are also paid statutory bonus as per the Payment of Bonus Act (1965) as amended from time to time.

III. Remuneration Processes

Fitment at the time of Hire

Pay scales of the Bank are set basis the job size, experience, location and the academic and professional credentials of the incumbent.

The compensation of new hires is in line with the existing pay ranges and consistent with the compensation levels of the existing employees of the Bank at similar profiles. The pay ranges are subject to change basis market trends and the Bank's talent management priorities. While the Bank believes in the internal equity and parity as a key determinant of pay it does acknowledge the external competitive pressures of the talent market. Accordingly, there could be certain key profiles with critical competencies which may be hired at a premium and treated as an exception to the overall pay philosophy. Any deviation from the defined pay ranges is treated as a hiring exception requiring approval with appropriate justification.

Increment / Pay Revision

It is the endeavor of the Bank to ensure external competitiveness as well as internal equity without diluting the overall focus on optimising cost. In order to enhance our external competitiveness the Bank participates in an annual salary survey of the banking sector to understand key market trends as well as get insights on relative market pay position compared to peers. The Bank endeavors to ensure that most employees progress to the median of the market in terms of fixed pay over time. This coupled with key internal data indicators like performance score, job family, experience, job grade and salary budget form the basis of decision making on revisions in fixed pay.

Increments in fixed pay for majority of the employee population are generally undertaken effective April 1 every year. However promotions, confirmations and change in job dimensions could also lead to a change in the fixed pay during other times of the year.

The Bank also makes salary corrections and adjustments during the year for those employees whose compensation is found to be below the market pay and who have a good performance track record. However such pay revisions are done on an exception basis.

Risk, Control and Compliance Staff

The Bank has separated the Risk, Control and Compliance functions from the Business functions in order to create a strong culture of checks and balances thereby ensuring good asset quality and to eliminate any possible conflict of interest between revenue generation and risk management and control. Accordingly, the overall variable pay as well as the annual salary increment of the employees in the Risk, Control and Compliance functions is based on their performance, functional objectives and goals. The Bank ensures that the mix of fixed to variable compensation for these functions is weighted in favour of fixed compensation.

C. Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks

The Bank takes into account various types of risks in its remuneration processes. The Bank follows a comprehensive framework that includes within its ambit the key dimensions of remuneration such as fixed pay, variable pay and long term incentives (i.e. Employee Stock Options).

Fixed pay: The Bank conducts a comprehensive market benchmarking study to ensure that employees are competitively positioned in terms of fixed pay. The Bank follows a robust salary review process wherein revisions in fixed compensation are based on performance. The Bank also makes salary adjustments taking into consideration pay positioning of employees vis-à-vis market reference points. Through this approach the Bank endeavors to ensure that the talent risk due to attrition is mitigated as much as possible. Fixed pay could be revised downwards as well in the event of certain proven cases of misconduct by an employee.

Variable pay: The Bank has distinct types of variable pay plans as given below:

(a) Quarterly / monthly performance-linked pay (PLP) plans:

All quarterly / monthly PLP plans are based on the principle of balanced scorecard framework that includes within its ambit both quantitative and qualitative factors including key strategic objectives that ensure future competitive advantage for the Bank. PLP plans, by design, have deterrents that play a role of moderating payouts based on the non-fulfillment of established quantitative / qualitative risk factors. Deterrents also include risks arising out of non-compliance, mis-sell etc. Further, a portion of all payouts under the PLP plans is deferred till the end of the year to provide for any unforeseen performance risks.

(b) Annual bonus plan:

The Bank takes into consideration the fact that a portion of the Bank's profits are directly attributable to various types of risks the Bank is exposed to such as credit risk, market risk, operational risk and other quantifiable risks.

The framework developed by the Bank in order to arrive at the quantum of bonus pool is based on the performance of the Bank and profitability. The annual bonus is distributed based on business unit and individual performance. The business unit performance is based on factors such as growth in revenue, growth in profit, cost to income ratio and achievement vis-à-vis plans and key objectives. Bonus pay out for an individual employee in a particular grade is linked to the performance rating of the employee and subject to meeting the Bank's standards of ethical conduct.

The Bank has devised appropriate malus and claw back clauses as a risk mitigant for any negative contributions of the Bank and / or relevant line of business in any year for Whole Time Directors. Under the malus clause the incumbent foregoes the vesting of the deferred variable pay in full or in part. Under the claw back clause the incumbent is obligated to return all the tranches of bonus payout pertaining to the reference performance year. The deferred bonus is paid out post review and approval by the NRC.

The bonus for Whole Time Directors is capped at 70% of the fixed pay in a year. The variable pay for Whole Time Directors is approved by the NRC as well as the Board of Directors of the Bank and is subject to the approval of the RBI.

The variable pay component is paid out subject to the following conditions:

Where the variable pay constitutes 50% or more of the fixed pay, a portion of the same would be deferred as per the schedule mentioned in the table below:

Portion of Variable Pay	Timelines
60%	Payable effective April 1 of the financial year immediately following the performance year.
13.33%	Payable effective April 1 of the second financial year following the reference performance year.
13.33%	Payable effective April 1 of the third financial year following the reference performance year.
13.33%	Payable effective April 1 of the fourth financial year following the reference performance year.

(c) Long term incentives (employee stock options):

The Bank also grants employee stock options to employees in certain job bands. The grant is based on performance rating of the individual.

D. Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration

The Bank has a very comprehensive multi-dimensional performance measurement metrics that takes into consideration multiple factors that include qualitative as well as quantitative factors. The following are the key performance measurement metrics for the Bank. These also form part of the key metrics for the measurement of the performance of Whole Time Directors and impact the final remuneration:

a) Business Growth - This includes growth in advances and deposits;

b) Profitability - This includes growth in profit after tax;

c) Asset Quality - Gross NPA, Net NPA and % of Restructured assets to net advances;

d) Financial Soundness - Capital Adequacy Ratio Position and Tier I capital;

e) Shareholder value creation - Return on equity; and

f) Financial Inclusion - Growth in number of households covered, growth in the value of loans disbursed under this category and achievement against priority sector lending targets.

Most of the above parameters are evaluated in two steps:

A. Achievement against the plans of the Bank; and

B. Achievement against the performance of peers.

Apart from the factors related to business growth there is also a key qualitative factor such as regulatory compliance. Compliance is the key qualitative factor that acts as the moderator in the entire organisation evaluation process. A low score on compliance can significantly moderate the other performance measures and depending on severity may even nullify their impact.

While the above parameters form the core evaluation parameters for the Bank each of the business units are measured on the following from a remuneration standpoint:

a) Increase in plan over the previous year;

b) Actual growth in revenue over previous year;

c) Growth in net revenue (%);

d) Achievement of net revenue against plan (%);

e) Actual profit before tax;

f) Growth in profit before tax compared to the previous year;

g) Current cost to income; and

h) Improvement in cost to income over the previous year.

Apart from the above the business units are also measured against certain key business objectives that are qualitative in nature.

The process by which levels of remuneration in the Bank are aligned to the performance of the Bank, business unit and individual employees is articulated below:

Fixed Pay

At the conclusion of every financial year the Bank reviews the fixed pay portion of the compensation structure basis merit-based increments and market corrections. These are based on a combination of performance rating, job band and the functional category of the individual employee. For a given job band, the merit increment is directly related to the performance rating. The Bank strives to ensure that most employees progress to the median of the market in terms of fixed pay over time. All other things remaining equal, the correction percentage is directly related to the performance rating of the individual.

Variable Pay

Basis the performance of the business unit, individual performance and role, the Bank has formulated the following variable pay plans:

- **Annual Bonus Plan**

  The Bank's annual bonus is computed as a percentage of the gross salary for every job band. The bonus multiple is based on performance of the business unit (based on the parameters above), performance rating, job band and the functional category of the individual employee. The business performance level determines the multiplier for the bonus. All other things remaining equal, for a given job band, the bonus is directly related to the performance rating. The proportion of variable pay to fixed pay increases with job band. Employees on the annual bonus plan are not part of the PLPs.

- **Performance-linked Plans (PLPs)**

  The Bank has formulated PLPs for its sales personnel who are given sales targets basis a balanced scorecard methodology. All PLP payouts are subject to the achievement of individual targets enumerated in the respective scorecards of the employees and moderated by qualitative parameters. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks. All PLP plans are based on balanced scorecard framework.

E. Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance

A discussion of the Bank's policy on deferral and vesting of variable remuneration and a discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting

Whole Time Directors

The bonus for Whole Time Directors does not exceed 70% of the fixed pay in a year, thereby ensuring that there is a balance between the fixed and variable pay. The variable pay for Whole Time Directors is approved by the NRC as well as the Board and is subject to the approval of the RBI. The variable pay component is paid out subject to the following conditions:

- Where the variable pay constitutes 50% or more of the fixed pay, an appropriate portion thereof is deferred and vests as per the schedule mentioned in the table below:

Portion of Variable Pay	Timelines
60%	Payable effective April 1 of the financial year immediately following the performance year.
13.33%	Payable effective April 1 of the second financial year following the reference performance year.
13.33%	Payable effective April 1 of the third financial year following the reference performance year.
13.33%	Payable effective April 1 of the fourth financial year following the reference performance year.

- The Bank has devised appropriate malus and claw back clauses as a risk mitigant for any negative contributions of the Bank and / or relevant line of business in any year.

  ✓ Malus clause

  Under the malus clause the incumbent foregoes the vesting of the deferred variable pay in full or in part. In the event there is a deterioration in specific performance criteria (such as criteria relating to profit or asset quality) that are laid down by the NRC, then the NRC would review the deterioration in the performance taking into consideration the macroeconomic environment as well as internal performance indicators and accordingly decide whether any part of the deferred tranche pertaining to that financial year merits a withdrawal. The deferred bonus is paid out post review and approval by the NRC.

  ✓ Claw back clause

  Under the claw back clause the incumbent is obligated to return all the tranches of payout received of bonus amounts pertaining to the relevant performance year. In the event there is any act attributable to the concerned Whole Time Director / Managing Director resulting in an incident of willful and deliberate misinterpretation / misreporting of financial performance (inflating the financials) of the Bank, for a financial year, which comes to light in the subsequent three years, the incumbent is obligated to return all the tranches of bonus payout received pertaining to the relevant performance year.

The specific criteria on the applicability of malus and claw back arrangements are reviewed by the NRC annually.

Employees other than Whole Time Directors

The Bank has formulated the following variable pay plans:

- **Annual bonus plan**

  The quantum of variable payout is a function of the performance of the Bank, performance of the individual employee, job band of the employee and the functional category. Basis these key determinants and due adjustment for risk alignment, a payout matrix for variable pay is developed. Market trends for specific businesses / functions along with inputs from compensation surveys may also be used in finalising the payout.

  Bonus pools are designed to meet specific business needs therefore resulting in differentiation in both the quantum and the method of payout across functions. Typically higher levels of responsibility receive a higher proportion of variable pay vis-à-vis fixed pay. The Bank ensures that the time horizon for risk is assessed and the deferment period, if any, for bonus is set accordingly. Employees on the annual bonus plan are not part of the PLPs.

  The following is taken into account while administering the annual bonus:

  ✓ In the event the proportion of variable pay to fixed pay is substantially high (typically variable pay exceeding 50% of fixed pay), the Bank may devise an appropriate deferment schedule after taking into consideration the nature of risk, time horizon of risk, and the materiality of risk.

  ✓ In cases of deferment of variable pay the Bank makes an assessment prior to the due date for payment of the deferred portion for any negative contribution. The criteria for negative contribution are decided basis pre-defined financial benchmarks. The Bank has in place appropriate methods for prevention of vesting of deferred variable pay or any part thereof, on account of negative contribution. The Bank also has in place claw back arrangements in relation to amounts already paid in the eventuality of a negative contribution.

- **Performance-linked Plans (PLPs)**

  PLPs are formulated for sales personnel who are given sales targets but have limited impact on risk since credit decisions are exercised independent of the sales function. All PLP payouts are subject to the achievement of individual targets enumerated in the respective scorecards of the employees. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks.

F. Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the Bank utilises and the rationale for using these different forms

The Bank recognises the importance of variable pay in reinforcing a pay for performance culture. Variable pay stimulates employees to stretch their abilities to exceed expectations.

- **Annual bonus plan**

  These are paid to reward performance for a given financial year. This covers all employees and excludes employees receiving PLP payouts. This is based on performance of the business unit, performance rating, job band and functional category of the individual. For higher job bands the proportion of variable pay to total compensation tends to be higher.

- **Performance-linked Plans (PLPs)**

  These are paid to frontline sales staff for the achievement of specific sales targets but have limited impact on risk as credit decisions are exercised independent of the sales function. Further, it has been the endeavor of the Bank to ensure that the objectives set are based on the principles of a balanced scorecard that takes into account quantitative and qualitative measures rather than just the achievement of financial numbers. Further all PLPs have inherent risk adjustment mechanisms manifested in the form of deterrents. All PLP payouts are subject to the achievement of parameters, both qualitative and quantitative enumerated in the respective scorecards of the employees. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks.

- **Employee stock option plan**

  This is to reward for contribution of employees in creating a long term, sustainable earnings and enhancing shareholder value. Only employees in a certain job band and with a specific performance rating are eligible for stock options. Performance is the key criteria for granting stock options.

Quantitative disclosures

The quantitative disclosures cover the Bank's Whole Time Directors and Key Risk Takers. Key Risk Takers are individuals who can materially set, commit or control significant amounts of the Bank's resources, and / or exert significant influence over its risk profile. The Bank's Key Risk Takers include Whole Time Directors, Group Heads, Business Heads directly reporting to the Managing Director and select roles in the Bank's Treasury and Investment Banking functions.

Sr. No.	Subject	March 31, 2018	March 31, 2017
(a)	Number of meetings held by the NRC during the financial year and remuneration paid to its members	Number of meetings: 7 Remuneration paid: ₹ 0.13 crore	Number of meetings: 10 Remuneration paid: ₹ 0.20 crore
(b) (i)	Number of employees having received a variable remuneration award during the financial year	34 employees	33 employees
(b) (ii)	Number and total amount of sign-on awards made during the financial year	None	None
(b) (iii)	Number and total amount of guaranteed bonuses awarded during the financial year	None	None
(b) (iv)	Details of severance pay, in addition to accrued benefits, if any	None	None
(c) (i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 2.80 crore.	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 4.62 crore.
(c) (ii)	Total amount of deferred remuneration paid out in the financial year	₹ 1.82 crore	₹ 1.45 crore
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	₹ 55.43 crore (Fixed*) ₹ 11.76 crore (variable pay pertaining to financial year ended March 31, 2017, in relation to employees where there was no deferment of pay). The approval of the RBI on the variable pay of the Bank's Whole	₹ 54.75 crore (Fixed*) ₹ 12.90 crore (variable pay pertaining to financial year ended March 31, 2016, in relation to employees where there was no deferment of pay). ₹ 7.34 crore (variable pay pertaining to financial year ended March 31, 2016, in relation to employees where

Sr. No.	Subject	March 31, 2018	March 31, 2017
		Time Directors for the year ended March 31, 2017 is awaited. There were no other employees where there was deferment of pay. Number of stock options granted during the financial year: 47,11,100	there was a deferment of pay), of which ₹ 4.41 crore was non-deferred variable pay and ₹ 2.93 crore was deferred variable pay. Number of stock options granted during the financial year: Nil
(e) (i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 2.80 crore.	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 4.62 crore.
(e) (ii)	Total amount of reductions during the financial year due to ex-post explicit adjustments	Nil	Nil
(e) (iii)	Total amount of reductions during the financial year due to ex-post implicit adjustments	Nil	Nil

* *Excludes gratuity benefits, since the same is computed at Bank level.*

25. Segment reporting

Business segments

Business segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by RBI. The Bank operates in the following segments:

a) Treasury

The treasury segment primarily consists of net interest earnings from the Bank's investment portfolio, money market borrowing and lending, gains or losses on investment operations and on account of trading in foreign exchange and derivative contracts.

b) Retail banking

The retail banking segment serves retail customers through a branch network and other delivery channels. This segment raises deposits from customers and provides loans and other services to customers with the help of specialist product groups. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof.

Revenues of the retail banking segment are derived from interest earned on retail loans, interest earned from other segments for surplus funds placed with those segments, subvention received from dealers and manufacturers, fees from services rendered, foreign exchange earnings on retail products etc. Expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.

c) Wholesale banking

The wholesale banking segment provides loans, non-fund facilities and transaction services to large corporates, emerging corporates, public sector units, government bodies, financial institutions and medium scale enterprises. Revenues of the wholesale banking segment consist of interest earned on loans made to customers, interest / fees earned on the cash float arising from transaction services, earnings from trade services and other non-fund facilities and also earnings from foreign exchange and derivative transactions on behalf of customers. 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 of delivery channels, specialist product groups, processing units and support groups.

d) Other banking business

This segment includes income from para banking activities such as credit cards, debit cards, third party product distribution, primary dealership business and the associated costs.

e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes capital and reserves, debt classified as Tier I or Tier II capital and other unallocable assets and liabilities such as deferred tax, prepaid expenses, etc.

Segment revenue includes earnings from external customers plus earnings from funds transferred to other segments. Segment result includes revenue less interest expense less operating expense and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Interest income is charged by a segment that provides funding to another segment, based on yields benchmarked to an internally approved yield curve or at a certain agreed transfer price rate. Transaction charges are levied by the retail banking segment to the wholesale banking segment for the use by its customers of the retail banking segment's branch network or other delivery channels. Such transaction costs are determined on a cost plus basis. Segment capital employed represents the net assets in that segment.

Geographic segments

The geographic segments of the Bank are categorised as domestic operations and foreign operations. Domestic operations comprise branches in India and foreign operations comprise branches outside India.

Segment reporting for the year ended March 31, 2018 is given below:

Business segments:

(₹ crore)

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	19,841.37	73,843.05	41,504.13	12,259.14	147,447.69
2	Unallocated revenue					-
3	Less: Inter-segment revenue					51,986.03
4	Income from operations (1) + (2) - (3)					95,461.66
5	Segment results	1,540.00	9,971.72	11,720.51	5,487.90	28,720.13
6	Unallocated expenses					2,022.81
7	Income tax expense (including deferred tax)					9,210.57
8	Net profit (5) - (6) - (7)					17,486.75
9	Segment assets	350,894.38	371,906.59	297,040.57	37,595.49	1,057,437.03
10	Unallocated assets					6,497.28
11	Total assets (9) + (10)					1,063,934.31
12	Segment liabilities	55,349.70	598,785.46	270,287.20	4,081.50	928,503.86
13	Unallocated liabilities					29,135.42
14	Total liabilities (12) + (13)					957,639.28
15	Capital employed (9) - (12) (Segment assets - Segment liabilities)	295,544.68	(226,878.87)	26,753.37	33,513.99	128,933.17
16	Unallocated (10) - (13)					(22,638.14)
17	Total (15) + (16)					106,295.03
18	Capital expenditure	5.77	729.47	73.05	88.39	896.68
19	Depreciation	11.58	723.91	92.36	78.49	906.34
20	Provisions for non - performing assets / others*	35.36	3,539.06	1,565.79	773.10	5,913.31

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
21	Unallocated other provisions*					14.18

* *Represents material non-cash charge other than depreciation and taxation.*

Geographic segments:

(₹ crore)

Particulars	Domestic	International
Revenue	94,643.54	818.12
Assets	1,036,987.78	26,946.53
Capital expenditure	896.33	0.35

Segment reporting for the year ended March 31, 2017 is given below:

Business segments:

(₹ crore)

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	20,326.18	66,147.50	32,587.85	9,046.69	128,108.22
2	Unallocated revenue					-
3	Less: Inter-segment revenue					46,505.77
4	Income from operations (1) + (2) - (3)					81,602.45
5	Segment results	1,659.11	8,432.16	10,123.04	3,365.33	23,579.64
6	Unallocated expenses					1,440.55
7	Income tax expense (including deferred tax)					7,589.43
8	Net profit (5) - (6) - (7)					14,549.66
9	Segment assets	263,356.40	295,828.92	272,148.83	27,205.88	858,540.03
10	Unallocated assets					5,300.18
11	Total assets (9) + (10)					863,840.21
12	Segment liabilities	38,732.49	525,792.90	191,254.90	3,142.74	758,923.03
13	Unallocated liabilities					15,454.80
14	Total liabilities (12) + (13)					774,377.83
15	Capital employed (9) - (12) (Segment assets - Segment liabilities)	224,623.91	(229,963.98)	80,893.93	24,063.14	99,617.00
16	Unallocated (10) - (13)					(10,154.62)
17	Total (15) + (16)					89,462.38
18	Capital expenditure	32.85	846.56	150.30	97.69	1,127.40
19	Depreciation	10.15	659.66	90.78	72.53	833.12
20	Provisions for non - performing assets / others*	(7.64)	2,159.35	841.13	605.17	3,598.01
21	Unallocated other provisions*					(4.71)

* *Represents material non-cash charge other than depreciation and taxation.*

Geographic segments:

(₹ crore)

Particulars	Domestic	International
Revenue	80,578.80	1,023.65
Assets	839,928.73	23,911.48
Capital expenditure	1,125.94	1.46

26. Liquidity coverage ratio

Quantitative information on Liquidity Coverage Ratio (LCR) for year ended March 31, 2018 is given below:

(₹ crore)

	Particulars	Quarter ended March 31, 2018		Quarter ended December 31, 2017		Quarter ended September 30, 2017		Quarter ended June 30, 2017	
		Total Unweighted Value (average)*	**Total Weighted Value (average) ***	**Total Unweighted Value (average) ***	**Total Weighted Value (average) ***	**Total Unweighted Value (average) ***	**Total Weighted Value (average) ***	**Total Unweighted Value (average) ***	**Total Weighted Value (average) ***
1	Total High Quality Liquid Assets (HQLA)		**159,124.53**		**144,640.70**		**139,746.99**		**129,486.04**
2	Retail deposits and deposits from small business customers, of which:	**451,439.43**	**41,543.33**	**437,781.88**	**40,242.17**	**424,604.50**	**39,008.20**	**416,803.77**	**38,258.84**
(i)	*Stable deposits*	72,012.25	3,600.61	70,720.40	3,536.02	69,044.92	3,452.25	68,430.67	3,421.53
(ii)	*Less stable deposits*	379,427.18	37,942.72	367,061.48	36,706.15	355,559.58	35,555.95	348,373.10	34,837.31
3	Unsecured wholesale funding, of which:	**217,228.50**	**108,512.17**	**218,185.05**	**108,548.59**	**208,551.94**	**103,584.62**	**193,071.47**	**97,650.85**
(i)	*Operational deposits (all counterparties)*	30,439.14	7,531.20	32,391.28	8,019.39	27,759.15	6,860.56	26,283.04	6,494.60
(ii)	*Non-operational deposits (all counterparties)*	177,618.56	91,810.17	176,441.84	91,177.28	172,534.99	88,466.26	156,271.16	80,638.98
(iii)	*Unsecured debt*	9,170.80	9,170.80	9,351.92	9,351.92	8,257.80	8,257.80	10,517.27	10,517.27
4	Secured wholesale funding		**8,812.39**		**4,075.92**		**2,629.35**		**1,109.89**
5	Additional requirements, of which	**100,425.78**	**66,017.10**	**89,779.68**	**61,816.62**	**97,874.66**	**65,983.77**	**86,528.11**	**56,903.77**
(i)	*Outflows related to derivative exposures and other collateral requirement*	55,868.70	55,868.70	52,671.96	52,671.96	57,282.24	57,282.24	48,362.71	48,362.71
(ii)	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
(iii)	*Credit and liquidity facilities*	44,557.08	10,148.40	37,107.72	9,144.66	40,592.42	8,701.53	38,165.40	8,541.06
6	Other contractual funding obligation	18,406.90	18,406.90	16,645.61	16,645.61	16,735.66	16,735.66	22,232.29	22,232.29
7	Other contingent funding obligations	59,074.58	1,772.24	57,544.60	1,726.34	53,170.78	1,595.12	55,532.12	1,870.86
8	**Total Cash Outflows**		**245,064.13**		**233,055.25**		**229,536.72**		**218,026.50**
9	Secured lending (e.g. reverse repo)	60.11	-	685.87	-	457.78	-	1,158.69	-
10	Inflows from fully performing exposures	51,397.30	27,229.36	48,750.21	25,705.12	42,881.46	22,698.40	41,246.92	21,944.76
11	Other cash inflows	72,083.27	66,513.09	66,728.00	61,994.69	69,006.74	63,779.42	59,786.42	55,149.29
12	**Total Cash Inflows**	**123,540.68**	**93,742.45**	**116,164.08**	**87,699.81**	**112,345.98**	**86,477.82**	**102,192.03**	**77,094.05**

Particulars		Quarter ended March 31, 2018		Quarter ended December 31, 2017		Quarter ended September 30, 2017		Quarter ended June 30, 2017	
		Total Unweighted Value (average)*	**Total Weighted Value (average) ***	**Total Unweighted Value (average) ***	**Total Weighted Value (average) ***	**Total Unweighted Value (average) ***	**Total Weighted Value (average) ***	**Total Unweighted Value (average) ***	**Total Weighted Value (average) ***
13	**TOTAL HQLA**		159,124.53		144,640.70		139,746.99		129,486.04
14	**Total Net Cash Outflows**		151,321.68		145,355.44		143,058.90		140,932.45
15	**Liquidity Coverage Ratio(%)**		**105.16%**		**99.51%**		**97.68%**		**91.88%**

* *The average weighted and unweighted amounts are calculated taking simple average based on daily observation for the respective quarters.*

Quantitative information on Liquidity Coverage Ratio (LCR) for year ended March 31, 2017 is given below:

(₹ crore)

Particulars		Quarter ended March 31, 2017		Quarter ended December 31, 2016		Quarter ended September 30, 2016		Quarter ended June 30, 2016	
		Total Unweighted Value (average)*	**Total Weighted Value (average) ***	**Total Unweighted Value (average) ***	**Total Weighted Value (average) ***	**Total Unweighted Value (average) ***	**Total Weighted Value (average) ***	**Total Unweighted Value (average) ***	**Total Weighted Value (average) ***
1	Total High Quality Liquid Assets (HQLA)		**137,711.74**		**149,957.35**		**128,702.05**		**109,539.23**
2	Retail deposits and deposits from small business customers, of which:	**417,330.77**	**38,198.75**	**415,071.84**	**37,863.08**	**373,552.53**	**34,159.65**	**359,804.34**	**32,862.93**
(i)	*Stable deposits*	70,686.63	3,534.33	72,882.13	3,644.11	63,912.08	3,195.60	62,350.08	3,117.50
(ii)	*Less stable deposits*	346,644.14	34,664.42	342,189.71	34,218.97	309,640.45	30,964.05	297,454.26	29,745.43
3	Unsecured wholesale funding, of which:	**184,624.84**	**91,871.70**	**184,555.12**	**93,303.55**	**173,841.76**	**87,591.52**	**157,036.26**	**80,630.67**
(i)	*Operational deposits (all counterparties)*	27,567.30	6,814.73	26,530.40	6,556.63	24,314.59	6,008.20	21,290.21	5,262.08
(ii)	*Non-operational deposits (all counterparties)*	147,686.64	75,686.06	148,806.54	77,528.74	142,196.70	74,252.85	130,159.94	69,782.48
(iii)	*Unsecured debt*	9,370.90	9,370.91	9,218.18	9,218.18	7,330.47	7,330.47	5,586.11	5,586.11
4	Secured wholesale funding		**161.11**		**-**		**2,150.00**		**-**
5	Additional requirements, of which	**85,739.97**	**54,644.47**	**94,703.09**	**61,891.19**	**90,930.14**	**57,181.27**	**93,163.68**	**57,797.70**
(i)	*Outflows related to derivative exposures and other collateral requirement*	44,943.06	44,943.06	51,903.36	51,903.36	47,316.91	47,316.91	46,907.18	46,907.18
(ii)	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-

Particulars		Quarter ended March 31, 2017		Quarter ended December 31, 2016		Quarter ended September 30, 2016		Quarter ended June 30, 2016	
		Total Unweighted Value (average)*	**Total Weighted Value (average) ***	**Total Unweighted Value (average) ***	**Total Weighted Value (average) ***	**Total Unweighted Value (average) ***	**Total Weighted Value (average) ***	**Total Unweighted Value (average) ***	**Total Weighted Value (average) ***
(iii)	*Credit and liquidity facilities*	40,796.91	9,701.41	42,799.73	9,987.83	43,613.23	9,864.36	46,256.50	10,890.52
6	Other contractual funding obligation	24,420.02	24,420.02	20,914.62	20,914.62	17,944.34	17,944.34	15,940.48	15,940.48
7	Other contingent funding obligations	52,591.16	2,596.66	50,409.16	1,512.27	49,183.26	1,475.50	47,915.37	1,437.46
8	**Total Cash Outflows**		**211,892.71**		**215,484.71**		**200,502.28**		**188,669.24**
9	Secured lending (e.g. reverse repo)	-	-	1,333.33	-	5,033.33	-	1,355.17	3.28
10	Inflows from fully performing exposures	39,276.52	21,397.60	36,889.88	19,466.20	35,305.32	18,815.99	33,897.47	18,070.68
11	Other cash inflows	58,695.96	53,161.71	65,066.62	59,505.52	66,471.65	61,083.74	62,858.78	57,290.61
12	**Total Cash Inflows**	**97,972.48**	**74,559.31**	**103,289.83**	**78,971.72**	**106,810.30**	**79,899.73**	**98,111.42**	**75,364.57**
			Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
13	**TOTAL HQLA**		137,711.74		149,957.35		128,702.05		109,539.23
14	**Total Net Cash Outflows**		137,333.40		136,512.99		120,602.55		113,304.67
15	**Liquidity Coverage Ratio(%)**		**100.28%**		**109.85%**		**106.72%**		**96.68%**

* *In accordance with RBI guidelines, average weighted and unweighted amounts are calculated taking simple daily average for the quarter ended March 31, 2017 and simple average for the months in respective previous quarters in the financial year ended March 31, 2017.*

Qualitative disclosure on LCR

The Liquidity Coverage Ratio (LCR) is one of the Basel Committee's key reforms to develop a more resilient banking sector. The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of banks. It does this by ensuring that banks have an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately into cash to meet their liquidity needs for a 30 calendar day liquidity stress scenario. The LCR is expected to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy.

The LCR is calculated by dividing a bank's stock of HQLA by its total net cash outflows over a 30-day stress period. The guidelines for LCR were effective January 1, 2015, with the minimum requirement at 60%, which would rise in equal annual steps to reach 100% on January 1, 2019. This graduated approach was designed to ensure that the LCR could be introduced without material disruption to the orderly strengthening of banking systems or the ongoing financing of economic activity. The present requirement, as on March 31, 2018 is 90%.

In the Indian context, the run-off factors for the stressed scenarios are prescribed by the RBI, for various categories of liabilities (viz., deposits, unsecured and secured wholesale borrowings), as well as for undrawn commitments and derivative-related exposures, and which partially offset with inflows emanating from assets maturing within the same time period. Given below is the average LCR maintained by the Bank quarter-wise over the past two years:

Quarter ended	LCR Maintained (Average)	LCR Required
March 31, 2018	105.16%	90.00%
December 31, 2017	99.51%	80.00%
September 30, 2017	97.67%	80.00%
June 30, 2017	91.88%	80.00%
March 31, 2017	100.28%	80.00%
December 31, 2016	109.85%	70.00%
September 30, 2016	106.72%	70.00%
June 30, 2016	96.68%	70.00%

The average LCR for the quarter ended March 31, 2018 was at 105.16% as against 100.28% for the quarter ended March 31, 2017, and well above the present prescribed minimum requirement of 90%. The average HQLA for the quarter ended March 31, 2018 was ₹ 159,124.53 crore, as against ₹ 137,711.74 crore for the quarter ended March 31, 2017. During the same period the composition of government securities and treasury bills in the HQLA increased from 75% to 87%.

For the quarter ended March 31, 2018, derivative exposures (net of cash inflows) / collateral requirements and undrawn commitments constituted just about 0.3% and 4% respectively of average cash outflow, in line earlier periods. A strong and diversified liabilities profile has been at the helm of the Bank's growth strategy. The Bank has consistently maintained a robust funding profile with a significant portion of funding through deposits. As of March 31, 2018 the top 20 depositors comprised of 6% of total deposits, as against 5% as of March 31, 2017.

27. Related party disclosures

As per AS-18, Related Party Disclosure, the Bank's related parties are disclosed below:

Promoter

Housing Development Finance Corporation Limited

Subsidiaries

HDFC Securities Limited
HDB Financial Services Limited

Associate

International Asset Reconstruction Company Private Limited (ceased to be an associate with effect from March 9, 2018)

Welfare trust of the Bank

HDB Employees Welfare Trust

Key management personnel

Aditya Puri, Managing Director
Paresh Sukthankar, Deputy Managing Director
Kaizad Bharucha, Executive Director

Related parties to key management personnel

Salisbury Investments Private Limited, Tanaksh Innovations Private Limited, Akuri by Puri, Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad, Havovi Bharucha, Huzaan Bharucha, Danesh Bharucha, Daraius Bharucha.

In accordance with paragraph 5 of AS - 18, the Bank has not disclosed certain transactions with relatives of key management personnel as they are in the nature of banker-customer relationship.

The significant transactions between the Bank and related parties for year ended March 31, 2018 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of all related party transactions in that category:

- Interest paid: HDFC Securities Limited ₹ 11.65 crore (previous year: ₹ 25.03 crore); HDB Financial Services Limited ₹ 2.47 crore (previous year: ₹ 7.17 crore); Housing Development Finance Corporation Limited ₹ 5.96 crore (previous year: ₹ 5.57 crore).
- Interest received: HDB Financial Services Limited ₹ 136.61 crore (previous year: ₹ 139.21 crore).
- Rendering of services: Housing Development Finance Corporation Limited ₹ 264.27 crore (previous year: ₹ 207.45 crore).
- Receiving of services: HDB Financial Services Limited ₹ 1,759.67 crore (previous year: ₹ 1,453.54 crore); Housing Development Finance Corporation Limited ₹ 405.17 crore (previous year: ₹ 343.10 crore);
- Dividend paid: Housing Development Finance Corporation Limited ₹ 432.53 crore (previous year: ₹ 373.55 crore).
- Dividend received: HDB Financial Services Limited ₹ 112.59 crore (previous year: ₹ 102.22 crore); HDFC Securities Limited ₹ 129.06 crore (previous year: ₹ 60.64 crore).

The Banks's related party balances and transactions for the year ended March 31, 2018 are summarised as follows:

(₹ crore)

Items / Related party	Promoter	Subsidiaries	Associate	Key management personnel	Total
Deposits taken	3,250.77	365.55	-	14.10	3,630.42
	(3,250.77)	(811.29)	-	(37.45)	(4,099.51)
Deposits placed	0.47	10.62	-	2.51	13.60
	(0.47)	(10.62)	-	(2.51)	(13.60)
Advances given	-	1,590.92	-	3.16	1,594.08
	-	(1,590.92)	-	(3.45)	(1,594.37)
Fixed assets purchased from	-	-	-	-	-
Fixed assets sold to	-	-	-	-	-
Interest paid to	5.96	14.12	1.70	1.05	22.83
Interest received from	13.28	136.62	-	0.12	150.02
Income from services rendered to	264.27	28.96	-	-	293.23
Expenses for receiving services from	405.17	1,768.09	-	0.76	2,174.02
Equity investments	-	3,826.49	-	-	3,826.49
	-	(3,826.49)	-	-	(3,826.49)
Other Investments	1,603.88	1,120.04	-	-	2,723.92
	(1,603.88)	(1,165.58)	-	-	(2,769.46)
Dividend paid to	432.53	-	-	5.67	438.20
Dividend received from	-	241.65	-	-	241.65
Receivable from	28.34	1.40	-	-	29.74
	(60.79)	(7.74)	-	-	(68.53)
Payable to	32.78	72.04	-	-	104.82

Items / Related party	Promoter	Subsidiaries	Associate	Key management personnel	Total
	(36.17)	(175.20)	-	-	(211.37)
Guarantees given	0.25	-	-	-	0.25
	(0.27)	-	-	-	(0.27)
Remuneration paid	-	-	-	19.29	19.29
Loans purchased from	5,623.94	-	-	-	5,623.94

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Remuneration paid excludes value of employee stock options exercised during the year.

The Bank being an authorised dealer, deals in foreign exchange and derivative transactions with parties which include its promoter. The foreign exchange and derivative transactions are undertaken in line with the RBI guidelines. The notional principal amount of foreign exchange and derivative contracts transacted with the promoter that were outstanding as at March 31, 2018 is ₹ 5,972.14 crore (previous year: ₹ 665.77 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is ₹ 80.76 crore (previous year: ₹ 40.18 crore).

During the year ended March 31, 2018, the Bank purchased debt securities from Housing Development Finance Corporation Limited ₹ 2,105.00 crore (previous year: ₹ 2,320.00 crore) and from HDB Financial Services Limited ₹1,885.00 crore (previous year: ₹ 1,427.00 crore) issued by these entities.

During the year ended March 31, 2018, the Bank paid rent of ₹ 0.66 crore (previous year: ₹ 0.66 crore) to party related to the Bank's key management personnel in relation to residential accommodation. As at March 31, 2018, the security deposit outstanding was ₹ 3.50 crore (previous year: ₹ 3.50 crore).

The deposit outstanding from HDB Employees Welfare Trust as at March 31, 2018 was ₹ 49.26 crore (previous year: ₹ 48.52 crore). The Bank also paid interest on deposit from HDB Employees Welfare Trust aggregating to ₹ 3.21 crore (previous year: ₹ 3.68 crore).

The Bank's related party balances and transactions for the year ended March 31, 2017 are summarised as follows:

(₹ crore)

Items / Related party	Promoter	Subsidiaries	Associate	Key management personnel	Total
Deposits taken	2,500.25	597.93	25.05	13.61	3,136.84
	(2,500.25)	(816.14)	(25.05)	(60.14)	(3,401.58)
Deposits placed	0.15	10.62	-	2.51	13.28
	(0.15)	(10.65)	-	(2.51)	(13.31)
Advances given	-	1,180.15	0.05	3.44	1,183.64
	-	(1,588.18)	(0.05)	(3.44)	(1,591.67)
Fixed assets purchased from	-	0.23	-	-	0.23
Fixed assets sold to	-	-	-	-	-
Interest paid to	5.57	32.20	0.51	1.02	39.30
Interest received from	-	139.21	-	0.03	139.24
Income from services rendered to	207.45	28.37	-	-	235.82
Expenses for receiving services from	343.10	1,456.69	-	0.76	1,800.55
Equity investments	-	3,812.15	31.17	-	3,843.32
	-	(3,812.15)	(31.17)	-	(3,843.32)
Other Investments	-	675.00	-	-	675.00
	(126.48)	(675.00)	-	-	(801.48)
Dividend paid to	373.55	-	-	4.49	378.04
Dividend received from	-	162.86	-	-	162.86
Receivable from	23.16	2.05	-	-	25.21
	(23.16)	(2.38)	-	-	(25.54)
Payable to	33.67	103.25	-	-	136.92
	(33.67)	(137.18)	-	-	(170.85)
Guarantees given	0.12	-	-	-	0.12
	(0.14)	(0.05)	-	-	(0.19)
Remuneration paid	-	-	-	20.79	20.79
Loans purchased from	13,845.65	-	-	-	13,845.65

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Remuneration paid excludes value of employee stock options exercised during the year.

28. Intra-Group exposure

Intra-Group exposures in accordance with RBI guidelines are as follows:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Total amount of intra-group exposures	7,137.13	4,502.47
Total amount of top 20 intra-group exposures	7,137.13	4,502.47
Percentage of intra-group exposures to total exposure of the Bank on borrowers / customers	0.67%	0.48%
Details of breach of limits on intra-group exposures and regulatory action thereon, if any	Nil	Nil

29. Leases

Operating leases primarily comprise office premises, staff residences and Automated Teller Machines ('ATM's), which are renewable at the option of the Bank. The details of maturity profile of future operating lease payments are given below:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Not later than one year	958.85	939.53
Later than one year and not later than five years	3,107.95	2,980.22
Later than five years	3,540.07	3,043.98
Total	**7,606.87**	**6,963.73**
The total of minimum lease payments recognised in the Statement of Profit and Loss for the year	1,166.50	1,094.86
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	6.33	25.33
Sub-lease amounts recognised in the Statement of Profit and Loss for the year	7.77	11.31
Contingent (usage based) lease payments recognised in the Statement of Profit and Loss for the year	174.87	138.79

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

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

30. Transfers to Depositor Education and Awareness Fund (DEAF)

The details of amount transferred during the respective year to DEAF are as under:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Opening balance of amounts transferred to DEAF	230.50	136.85
Add: Amounts transferred to DEAF during the year	139.93	95.10
Less: Amounts reimbursed by DEAF towards claims	(2.75)	(1.45)
Closing balance of amounts transferred to DEAF	367.68	230.50

31. Penalties levied by the RBI

During the year ended March 31, 2018, RBI did not impose any penalty on the Bank (previous year ₹ 2.00 crore).

32. Disclosure for customer complaints / unimplemented awards of Banking Ombudsman

- **Customer complaints**

(A) Customer complaints other than ATM transaction disputes

Particulars	March 31, 2018	March 31, 2017
(a) No. of complaints pending at the beginning of the year	2,349	651
(b) No. of complaints received during the year	120,439	96,454
(c) No. of complaints redressed during the year	118,724	94,756
(d) No. of complaints pending at the end of the year	4,064	2,349

(B) ATM transaction disputes relating to the Bank's customers on the Bank's ATMs

Particulars	March 31, 2018	March 31, 2017
(a) No. of complaints pending at the beginning of the year	145	101
(b) No. of complaints received during the year	19,105	12,703
(c) No. of complaints redressed during the year	19,025	12,659
(d) No. of complaints pending at the end of the year	225	145
(e) Complaints per ten thousand transactions	1.00	0.62

(C) ATM transaction disputes relating to the Bank's customers on other banks' ATMs

Particulars	March 31, 2018	March 31, 2017
(a) No. of complaints pending at the beginning of the year	1,464	1,118
(b) No. of complaints received during the year	127,307	95,415
(c) No. of complaints redressed during the year	126,218	95,069
(d) No. of complaints pending at the end of the year	2,553	1,464
(e) Complaints per ten thousand transactions	4.98	3.69

(D) Total customer complaints and ATM transaction disputes [total of tables (A), (B) and (C) above]

Particulars	March 31, 2018	March 31, 2017
(a) No. of complaints pending at the beginning of the year	3,958	1,870
(b) No. of complaints received during the year	266,851	2,04,572
(c) No. of complaints redressed during the year	263,967	2,02,484
(d) No. of complaints pending at the end of the year	6,842	3,958

Note: ATM transaction disputes reported in the above tables are in accordance with RBI guidelines on disclosure of customer complaints.

- **Awards passed by the Banking Ombudsman (BO)**

Particulars	March 31, 2018	March 31, 2017
(a) No. of unimplemented awards at the beginning of the year	-	-
(b) No. of awards passed by the BO during the year	-	-
(c) No. of awards implemented during the year	-	-
(d) No. of unimplemented awards at the end of the year	-	-

- **Top areas of customer complaints**

The average number of customer complaints per branch, including ATM transaction disputes, was 4.7 per month during the year ended March 31, 2018 (previous year: 3.7 per month). For the year ended March 31, 2018, retail liability segment accounted for 76.46% of the total complaints (previous year: 74.61%), followed by credit cards at 17.14% of the total complaints (previous year: 18.15%), retail assets at 5.57% of the total complaints (previous year: 6.08%), while other segments accounted for 0.83% of total complaints (previous year: 1.16%). The top 10 areas of customer complaints for the year ended March 31, 2018, including ATM transaction disputes, aggregated 2,03,045 complaints (previous year: 1,48,462 complaints) and accounted for 76.09% of total complaints (previous year: 72.57%). The top 5 areas of customer complaints on which the Bank is working towards root cause remediation are - 'cash not dispensed or less cash dispensed in the Bank's ATMs', phishing / unauthorized usage through debit card online, transaction dispute related – credit cards, phishing / unauthorized usage through debit card done at other bank's ATM's and Sales related - credit cards.

- **Position of BO complaints as per RBI annual report**

  As per a report published by the RBI for the year ended June 30, 2017, the number of BO complaints per branch for the Bank was 2.07 (previous year: 1.68). The number of BO complaints other than credit cards per 1,000 accounts was at 0.14 (previous year: 0.13).The number of BO complaints (credit card related) per 1,000 cards was at 0.08 (previous year: 0.08) for the Bank.

33. Disclosure of Letters of Comfort (LoC) issued by the Bank

The Bank has not issued any Letter of Comfort during the years ended March 31, 2018 and March 31, 2017.

34. Small and micro industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 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 during the years ended March 31, 2018 and March 31, 2017. The above is based on the information available with the Bank which has been relied upon by the auditors.

35. Overseas assets, NPAs and revenue

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Total Assets	26,946.53	23,911.48
Total NPAs	134.64	121.59
Total Revenue	818.12	1,023.65

36. Off-Balance Sheet SPVs

There are no Off-Balance Sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.

37. Credit default swaps

The Bank has not transacted in credit default swaps during the year ended March 31, 2018 (previous year: Nil).

38. Corporate social responsibility

Operating expenses include ₹ 374.54 crore (previous year: ₹ 305.42 crore) for the year ended March 31, 2018 towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013.

The Bank has spent 2.04 % (previous year: 2.01%) of its average net profit for the last three financial years as part of its CSR for the year ended March 31, 2018. As a responsible bank, it has approached the mandatory requirements of CSR spends positively by laying a foundation on which it would build and scale future projects and partnerships. The Bank continues to evaluate strategic avenues for CSR expenditure in order to deliver maximum impact. In the years to come, the Bank will further strengthen its processes as per requirement.

The details of amount spent during the respective year towards CSR are as under:

(₹ crore)

Sr. No.	Particulars	March 31, 2018			March 31, 2017		
		Amount spent	Amount unpaid /provision	Total	Amount spent	Amount unpaid /provision	Total
(i)	Construction / acquisition of any asset				-	-	-
(ii)	On purpose other than (i) above	374.54	-	374.54	305.42	-	305.42

39. Investor education and protection fund

There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank during the years ended March 31, 2018 and March 31, 2017.

40. Disclosure on remuneration to Non-Executive Directors

Remuneration by way of sitting fees to the Non-Executive Directors for attending meetings of the Board and its committees during the year ended March 31, 2018 amounted to ₹ 1.58 crore (previous year: ₹ 1.67 crore).

Further, in accordance with RBI guidelines, profit related commission to all Non-Executive Directors other than the Chairperson for the year ended March 31, 2018 amounted to ₹ 0.80 crore (previous year: ₹ 0.80 crore).

41. Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

For and on behalf of the Board

Shyamala Gopinath
Chairperson

Paresh Sukthankar
Deputy Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Aditya Puri
Managing Director

Kaizad Bharucha
Executive Director

Sashidhar Jagdishan
Chief Financial Officer

Bobby Parikh
Keki Mistry
Malay Patel
Partho Datta
Umesh Sarangi
Directors

Mumbai, April 21, 2018

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HDFC BANK LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of HDFC BANK LIMITED ("the Bank"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act, in so far as applicable to banks, and the Guidelines issued by the Reserve Bank of India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Bank's preparation of the standalone financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, and evaluating the overall presentation of the standalone financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 and the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31st March, 2017, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act and Section 30 of the Banking Regulation Act, 1949, based on our audit, we report to the extent applicable that:

    (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and found them to be satisfactory.

    (b) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank.

    (c) As explained in paragraph 2 below, the financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by the Branches.

    (d) 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.

(e) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

(f) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards prescribed under section 133 of the Act, as applicable.

(g) On the basis of the written representations received from the directors as at 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as at 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

(h) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank's internal financial controls over financial reporting.

(i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

   (i) The Bank has disclosed the impact of pending litigations on its financial position in its standalone financial statements;

   (ii) The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;

   (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

2. We report that during the course of our audit we performed select relevant procedures at 85 branches. Since the Bank considers its key operations to be automated, with the key applications largely integrated to the core banking systems, it does not require its branches, to submit any financial returns. Accordingly our audit is carried out centrally at the Head Office and Central Processing Units, based on the necessary records and data required for the purposes of the audit being made available to us.

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

Porus B. Pardiwalla
Partner
(Membership No. 40005)

Mumbai, 21st April, 2017

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT
(Referred to in paragraph 1.h under 'Report on Other Legal and Regulatory Requirements' section of the auditor's report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of HDFC BANK LIMITED ("the Bank") as at 31st March, 2017 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the Guidelines issued by the Reserve Bank of India.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

An audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and other applicable regulations. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No.117365W)

Porus B. Pardiwalla
Partner
(Membership No.40005)

Mumbai, 21st April, 2017

HDFC Bank Limited

Balance Sheet as at March 31, 2017 ₹ in '000

	Schedule	As at 31-Mar-17	As at 31-Mar-16
CAPITAL AND LIABILITIES			
Capital	1	**5,125,091**	**5,056,373**
Reserves and surplus	2	**889,498,416**	**721,721,274**
Deposits	3	**6,436,396,563**	**5,464,241,920**
Borrowings	4	**740,288,666**	**849,689,823**
Other liabilities and provisions	5	**567,093,181**	**367,251,338**
Total		**8,638,401,917**	**7,407,960,728**
ASSETS			
Cash and balances with Reserve Bank of India	6	**378,968,755**	**300,583,087**
Balances with banks and money at call and short notice	7	**110,552,196**	**88,605,293**
Investments	8	**2,144,633,366**	**1,958,362,768**
Advances	9	**5,545,682,021**	**4,645,939,589**
Fixed assets	10	**36,267,379**	**33,431,573**
Other assets	11	**422,298,200**	**381,038,418**
Total		**8,638,401,917**	**7,407,960,728**
Contingent liabilities	12	**8,178,695,893**	**8,533,181,145**
Bills for collection		**308,480,352**	**234,899,997**

Significant accounting policies and notes to the financial statemen 17 & 18
The schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date. **For and on behalf of the Board**

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005

Mumbai, April 21, 2017

Statement of Profit and Loss for the year ended March 31, 2017 **₹ in '000**

	Schedule	Year Ended 31-Mar-17	Year Ended 31-Mar-16
I. INCOME			
Interest earned	13	**693,059,578**	**602,214,451**
Other income	14	**122,964,990**	**107,517,233**
Total		**816,024,568**	**709,731,684**
II. EXPENDITURE			
Interest expended	15	**361,667,334**	**326,299,330**
Operating expenses	16	**197,033,442**	**169,797,000**
Provisions and contingencies		**111,827,380**	**90,673,223**
Total		**670,528,156**	**586,769,553**
III. PROFIT			
Net profit for the year		**145,496,412**	**122,962,131**
Balance in Profit and Loss account brought forward		**235,276,891**	**186,277,944**
Total		**380,773,303**	**309,240,075**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		**36,374,103**	**30,740,533**
Proposed dividend [Refer Schedule 18(2)]		**-**	**24,017,772**
Tax (including cess) on dividend [Refer Schedule 18(2)]		**-**	**4,889,453**
Dividend (including tax/cess thereon) pertaining to previous year paid during the year, net of dividend tax credits		**(16,909)**	**(117,135)**
Transfer to General Reserve		**14,549,641**	**12,296,213**
Transfer to Capital Reserve		**3,134,100**	**2,221,532**
Transfer to/(from) Investment Reserve Account		**42,934**	**(85,184)**
Balance carried over to Balance Sheet		**326,689,434**	**235,276,891**
Total		**380,773,303**	**309,240,075**
V. EARNINGS PER EQUITY SHARE (Face value ₹ 2 per share)		**₹**	**₹**
Basic		**57.18**	**48.84**
Diluted		**56.43**	**48.26**
Significant accounting policies and notes to the financial statemen	17 & 18		

The schedules referred to above form an integral part of the Statement of Profit and Loss.

As per our report of even date. **For and on behalf of the Board**

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005
Mumbai, April 21, 2017

HDFC BANK LIMITED

Cash Flow Statement for the year ended March 31, 2017

		₹ in 000
Particulars	**Year Ended 31-Mar-17**	**Year Ended 31-Mar-16**
Cash flows from operating activities		
Profit before income tax	**221,390,750**	**186,379,247**
Adjustments for :		
Depreciation on fixed assets	8,331,247	7,058,390
(Profit) / loss on revaluation of investments	(87,543)	173,689
Amortisation of premia on held to maturity investments	1,756,569	1,002,801
(Profit) / loss on sale of fixed assets	14,735	626
Provision / charge for non performing assets	33,443,592	22,963,803
Provision for dimunition in value of investment	(76,417)	151,722
Floating provisions	250,000	1,150,000
Provision for standard assets	3,921,811	4,399,962
Dividend from subsidiaries/associates/joint ventures	(1,628,640)	(1,490,542)
Contingency provisions	384,640	218,102
	267,700,744	**222,007,800**
Adjustments for :		
(Increase) / decrease in investments	(177,259,533)	(391,352,982)
(Increase) / decrease in advances	(933,161,021)	(1,015,961,758)
Increase / (decrease) in deposits	972,154,643	956,285,495
(Increase) / decrease in other assets	(38,752,713)	(37,562,160)
Increase / (decrease) in other liabilities and provisions	223,763,890	32,720,884
	314,446,010	**(233,862,721)**
Direct taxes paid (net of refunds)	(78,591,989)	(67,459,133)
Net cash flow (used in) / from operating activities	**235,854,020**	**(301,321,854)**
Cash flows used in investing activities		
Purchase of fixed assets	(10,681,751)	(8,159,133)
Proceeds from sale of fixed assets	94,269	111,518
Investment in subsidiaries/associates/joint ventures	(10,603,674)	-
Dividend from subsidiaries/associates/joint ventures	1,628,640	1,490,542
Net cash used in investing activities	**(19,562,516)**	**(6,557,074)**
Cash flows from financing activities		
Money received on exercise of stock options by employees	22,615,161	12,229,008
Increase / (decrease) in borrowings (excluding subordinate debt, perpetual debt and upper Tier II instruments)	(90,316,657)	357,278,283
Redemption of subordinated debt	(19,084,500)	(12,020,000)
Dividend paid during the year	(24,083,093)	(20,091,666)
Tax on dividend	(4,807,223)	(3,925,269)
Net cash generated from financing activities	**(115,676,312)**	**333,470,356**
Effect of exchange fluctuation on translation reserve	**(282,622)**	**282,433**
Net increase / (decrease) in cash and cash equivalents	**100,332,571**	**25,873,862**

Particulars	Year Ended 31-Mar-17	Year Ended 31-Mar-16
		₹ in 000
Cash and cash equivalents as at April 1st	**389,188,380**	**363,314,518**
Cash and cash equivalents as at March 31st	**489,520,951**	**389,188,380**

As per our report of even date

For and on behalf of the Board

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005

Mumbai, April 21, 2017

Schedules to the financial statements	₹ in '000	
	As at 31-Mar-17	As at 31-Mar-16
SCHEDULE 1 - CAPITAL		
Authorised capital		
3,25,00,00,000 (31 March, 2016 : 2,75,00,00,000) Equity Shares of ₹ 2/- each	6,500,000	5,500,000
Issued, subscribed and paid-up capital		
2,56,25,45,717 (31 March, 2016 : 2,52,81,86,517) Equity Shares of ₹ 2/- each	5,125,091	5,056,373
Total	5,125,091	5,056,373
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory reserve		
Opening balance	147,384,755	116,644,222
Additions during the year	36,374,103	30,740,533
Total	183,758,858	147,384,755
II. General reserve		
Opening balance	57,119,509	44,823,296
Additions during the year	14,549,641	12,296,213
Total	71,669,150	57,119,509
III. Balance in profit and loss account	326,689,434	235,276,891
IV. Share premium account		
Opening balance	261,716,858	249,531,232
Additions during the year	22,546,443	12,185,626
Total	284,263,301	261,716,858
V. Amalgamation reserve		
Opening balance	10,635,564	10,635,564
Additions during the year	-	-
Total	10,635,564	10,635,564
VI. Capital reserve		
Opening balance	8,866,583	6,645,051
Additions during the year	3,134,100	2,221,532
Total	12,000,683	8,866,583
VII. Investment reserve account		
Opening balance	399,084	484,268
Additions during the year	109,506	76
Deductions during the year	(66,572)	(85,260)
Total	442,018	399,084
VIII. Foreign currency translation account		
Opening balance	322,030	39,597
Additions/(deductions) during the year	(282,622)	282,433
Total	39,408	322,030
Total	889,498,416	721,721,274

	As at 31-Mar-17	As at 31-Mar-16
SCHEDULE 3 - DEPOSITS		
A. I Demand deposits		
(i) From banks	**20,806,377**	**22,017,200**
(ii) From others	**1,134,932,192**	**862,229,501**
Total	**1,155,738,569**	**884,246,701**
II Savings bank deposits	**1,935,786,335**	**1,478,861,798**
III Term deposits		
(i) From banks	**53,520,609**	**25,095,540**
(ii) From others	**3,291,351,050**	**3,076,037,881**
Total	**3,344,871,659**	**3,101,133,421**
Total	**6,436,396,563**	**5,464,241,920**
B. I. Deposits of branches in India	**6,396,405,854**	**5,397,071,812**
II. Deposits of branches outside India	**39,990,709**	**67,170,108**
	6,436,396,563	**5,464,241,920**
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	**-**	**319,505,077**
(ii) Other banks	**21,202,156**	**15,792,856**
(iii) Other institutions and agencies	**224,500,000**	**-**
(iv) Upper and lower tier II capital and innovative perpetual debts	**131,820,000**	**144,279,000**
(v) Bonds and Debentures (excluding subordinated debt)	**126,750,000**	**59,750,000**
Total	**504,272,156**	**539,326,933**
II. Borrowings outside India*	**236,016,510**	**310,362,890**
Total	**740,288,666**	**849,689,823**

**Includes Upper Tier II debt of ₹ Nil (previous year: ₹ 662.55 crore)*
Secured borrowings included in I & II above: Nil (previous year: Nil)

	As at 31-Mar-17	As at 31-Mar-16
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	**166,670,863**	**73,784,974**
II. Interest accrued	**38,488,877**	**35,987,631**
III. Others *(including provisions)*	**338,011,290**	**208,559,451**
IV. Contingent provisions against standard assets	**23,922,151**	**20,012,057**
V. Proposed dividend *(including tax on dividend)* *[Refer Schedule 18(2)]*	**-**	**28,907,225**
Total	**567,093,181**	**367,251,338**

		₹ in '000	
		As at 31-Mar-17	**As at 31-Mar-16**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

I. Cash in hand *(including foreign currency notes)*		**42,635,945**	**55,694,577**
II. Balances with Reserve Bank of India :			
(a) In current accounts		**284,332,810**	**242,888,510**
(b) In other accounts		**52,000,000**	**2,000,000**
	Total	**336,332,810**	**244,888,510**
	Total	**378,968,755**	**300,583,087**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

I. **In India**			
(i) Balances with banks :			
(a) In current accounts		**5,107,980**	**2,380,626**
(b) In other deposit accounts		**6,686,831**	**6,824,510**
	Total	**11,794,811**	**9,205,136**
(ii) Money at call and short notice :			
(a) With banks		**-**	**-**
(b) With other institutions		**-**	**1,359,867**
	Total	**-**	**1,359,867**
	Total	**11,794,811**	**10,565,003**
II. **Outside India**			
(i) In current accounts		**36,772,777**	**23,909,955**
(ii) In deposit accounts		**2,529,150**	**3,776,535**
(iii) Money at call and short notice		**59,455,458**	**50,353,800**
	Total	**98,757,385**	**78,040,290**
	Total	**110,552,196**	**88,605,293**

	₹ in '000 As at 31-Mar-17	As at 31-Mar-16
SCHEDULE 8 - INVESTMENTS		
A. Investments in India in		
(i) Government securities	**1,624,186,994**	**1,576,610,655**
(ii) Other approved securities	**-**	**-**
(iii) Shares	**1,113,742**	**739,032**
(iv) Debentures and bonds	**194,698,472**	**48,873,774**
(v) Subsidiaries / joint ventures	**38,433,239**	**27,829,565**
(vi) Others (Units, CDs/CPs, PTCs and security receipts)	**275,020,773**	**290,582,987**
Total	**2,133,453,220**	**1,944,636,013**
B. Investments outside India in		
Other investments		
(a) Shares	**28,375**	**28,375**
(b) Debentures and bonds	**11,151,771**	**13,698,380**
Total	**11,180,146**	**13,726,755**
Total	**2,144,633,366**	**1,958,362,768**
C. Investments		
(i) Gross value of investments		
(a) In India	**2,134,071,702**	**1,945,831,421**
(b) Outside India	**11,206,487**	**13,726,755**
Total	**2,145,278,189**	**1,959,558,176**
(ii) Provision for depreciation		
(a) In India	**618,482**	**1,195,408**
(b) Outside India	**26,341**	**-**
Total	**644,823**	**1,195,408**
(iii) Net value of investments		
(a) In India	**2,133,453,220**	**1,944,636,013**
(b) Outside India	**11,180,146**	**13,726,755**
Total	**2,144,633,366**	**1,958,362,768**

	As at 31-Mar-17	As at 31-Mar-16
	₹ in '000	

SCHEDULE 9 - ADVANCES

	As at 31-Mar-17	As at 31-Mar-16
A (i) Bills purchased and discounted	**287,159,641**	**185,136,903**
(ii) Cash credits, overdrafts and loans repayable on demand	**1,336,174,162**	**1,242,774,115**
(iii) Term loans	**3,922,348,218**	**3,218,028,571**
Total	**5,545,682,021**	**4,645,939,589**
B (i) Secured by tangible assets*	**4,108,555,199**	**3,458,703,399**
(ii) Covered by bank / government guarantees	**107,864,309**	**114,128,823**
(iii) Unsecured	**1,329,262,513**	**1,073,107,367**
Total	**5,545,682,021**	**4,645,939,589**
** Including advances against book debts*		
C. I. Advances in India		
(i) Priority sector	**1,625,180,583**	**1,417,909,585**
(ii) Public sector	**157,741,065**	**134,556,082**
(iii) Banks	**9,092,668**	**4,659,631**
(iv) Others	**3,555,635,492**	**2,767,906,764**
Total	**5,347,649,808**	**4,325,032,062**
C.II. Advances outside India		
(i) Due from banks	**6,500,391**	**6,879,777**
(ii) Due from others		
(a) Bills purchased and discounted	**2,560,707**	**1,245,263**
(b) Syndicated loans	**17,845,564**	**38,624,247**
(c) Others	**171,125,551**	**274,158,240**
Total	**198,032,213**	**320,907,527**
Total	**5,545,682,021**	**4,645,939,589**

(Advances are net of provisions)

	As at 31-Mar-17	As at 31-Mar-16
SCHEDULE 10 - FIXED ASSETS		
A. **Premises** *(including land)*		
Gross block		
At cost on 31 March of the preceding year	15,511,704	14,756,943
Additions during the year	669,442	839,927
Deductions during the year	(70,347)	(85,166)
Total	16,110,799	15,511,704
Depreciation		
As at 31 March of the preceding year	4,246,842	3,764,471
Charge for the year	590,691	551,090
On deductions during the year	(59,060)	(68,719)
Total	4,778,473	4,246,842
Net block	11,332,326	11,264,862
B. **Other fixed assets** *(including furniture and fixtures)*		
Gross block		
At cost on 31 March of the preceding year	72,467,567	65,329,178
Additions during the year	10,604,552	8,548,465
Deductions during the year	(2,153,212)	(1,410,076)
Total	80,918,907	72,467,567
Depreciation		
As at 31 March of the preceding year	50,300,856	45,104,307
Charge for the year	7,738,599	6,510,901
On deductions during the year	(2,055,601)	(1,314,352)
Total	55,983,854	50,300,856
Net block	24,935,053	22,166,711
C. **Assets on lease** *(plant and machinery)*		
Gross block		
At cost on 31 March of the preceding year	4,546,923	4,546,923
Additions during the year	-	-
Total	4,546,923	4,546,923
Depreciation		
As at 31 March of the preceding year	4,104,467	4,104,467
Charge for the year	-	-
Total	4,104,467	4,104,467
Lease adjustment account		
As at 31 March of the preceding year	442,456	442,456
Charge for the year	-	-
Total	442,456	442,456
Unamortised cost of assets on lease	-	-
Total	36,267,379	33,431,573

₹ in '000

	₹ in '000 As at 31-Mar-17	As at 31-Mar-16
SCHEDULE 11 - OTHER ASSETS		
I. Interest accrued	**83,095,335**	**75,482,713**
II. Advance tax/tax deducted at source (net of provisions)	**17,442,504**	**17,646,013**
III. Stationery and stamps	**267,871**	**220,786**
IV. Non banking assets acquired in satisfaction of claims	**-**	**-**
V. Bond and share application money pending allotment	**-**	**-**
VI. Security deposit for commercial and residential property	**4,934,536**	**4,626,811**
VII. Others*	**316,557,954**	**283,062,095**
Total	**422,298,200**	**381,038,418**

**Includes deferred tax asset (net) of ₹ 2,447.34 crore (previous year: ₹ 2,116.62 crore) and deposits placed with NABARD/SIDBI/NHB on account of shortfall in lending to priority sector of ₹ 11,882.37 crore(previous year: ₹ 13,719.68 crore)*

SCHEDULE 12 - CONTINGENT LIABILITIES

	As at 31-Mar-17	As at 31-Mar-16
I. Claims against the bank not acknowledged as debts - taxation	**10,721,500**	**11,877,300**
II. Claims against the bank not acknowledged as debts - others	**1,081,701**	**762,010**
III. Liability on account of outstanding forward exchange contracts	**4,699,301,366**	**5,290,757,746**
IV. Liability on account of outstanding derivative contracts	**2,723,068,634**	**2,570,471,528**
V. Guarantees given on behalf of constituents - in India	**366,232,012**	**301,311,242**
- outside India	**953,405**	**31,094,714**
VI. Acceptances, endorsements and other obligations	**359,613,744**	**317,525,754**
VII. Other items for which the Bank is contingently liable	**17,723,531**	**9,380,851**
Total	**8,178,695,893**	**8,533,181,145**

	₹ in '000 Year Ended 31-Mar-17	Year Ended 31-Mar-16
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances / bills	**520,552,624**	**448,278,559**
II. Income from investments	**159,443,391**	**141,200,321**
III. Interest on balance with RBI and other inter-bank funds	**5,320,205**	**3,616,100**
IV. Others	**7,743,358**	**9,119,471**
Total	**693,059,578**	**602,214,451**
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	**88,115,530**	**77,590,448**
II. Profit / (loss) on sale of investments (net)	**11,306,936**	**7,491,483**
III. Profit / (loss) on revaluation of investments (net)	**87,543**	**(173,689)**
IV. Profit / (loss) on sale of building and other assets (net)	**(14,735)**	**(626)**
V. Profit/(loss) on exchange/derivative transactions (net)	**12,633,895**	**12,277,267**
VI. Income earned by way of dividends from subsidiaries/ associates and /or joint ventures abroad / in India	**1,628,640**	**1,490,542**
VII. Miscellaneous income	**9,207,181**	**8,841,808**
Total	**122,964,990**	**107,517,233**

Schedules to the Accounts (contd.)

	Year Ended 31-Mar-17	Year Ended 31-Mar-16
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	**313,314,571**	**291,782,889**
II. Interest on RBI / inter-bank borrowings	**46,727,790**	**33,664,532**
III. Other interest	**1,624,973**	**851,909**
Total	**361,667,334**	**326,299,330**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	**64,836,646**	**57,021,980**
II. Rent, taxes and lighting	**13,373,647**	**12,326,423**
III. Printing and stationery	**4,757,998**	**4,234,603**
IV. Advertisement and publicity	**2,046,418**	**2,483,938**
V. Depreciation on bank's property	**8,331,247**	**7,058,390**
VI. Directors' fees/ remuneration, allowances and expenses	**32,021**	**25,761**
VII. Auditors' fees and expenses	**25,758**	**19,331**
VIII. Law charges	**1,249,095**	**998,702**
IX. Postage, telegram, telephone etc.	**4,149,947**	**3,997,235**
X. Repairs and maintenance	**12,562,041**	**10,287,303**
XI. Insurance	**6,906,612**	**5,613,318**
XII. Other expenditure*	**78,762,012**	**65,730,016**
Total	**197,033,442**	**169,797,000**

**Includes professional fees, commission to sales agents, card and merchant acquiring expenses and system management fees.*

SCHEDULE 17 - Significant accounting policies appended to and forming part of the financial statements for the year ended March 31, 2017

A BACKGROUND

HDFC Bank Limited ('HDFC Bank' or 'the Bank'), incorporated in Mumbai, India is a publicly held banking company engaged in providing a range of banking and financial services including retail banking, wholesale banking and treasury operations. The Bank is governed by the Banking Regulation Act, 1949 and the Companies Act, 2013. The Bank has overseas branch operations in Bahrain, Hong Kong and Dubai. The financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by branches of the Bank.

B BASIS OF PREPARATION

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') specified under Section 133 of the Companies Act, 2013, in so far as they apply to banks and current practices prevailing within the banking industry in India.

Use of estimates

The preparation of financial statements in conformity with GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

C PRINCIPAL ACCOUNTING POLICIES

1 Investments

Classification:

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ('HFT'), "Available for Sale" ('AFS') and "Held to Maturity" ('HTM') categories (hereinafter called "categories"). Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups (hereinafter called "groups") - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments.

Purchase and sale transactions in securities are recorded under 'Settlement Date' of accounting, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of classification:

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments in the equity of subsidiaries / joint ventures are categorised as HTM in accordance with the RBI guidelines. Investments which are not classified in either of the above categories are classified under AFS category.

Acquisition cost:

Brokerage, commission, etc. and broken period interest on debt instruments are recognised in the Statement of Profit and Loss and are not included in the cost of acquisition.

Disposal of investments:

Profit / Loss on sale of investments under the aforesaid three categories is recognised in the Statement of Profit and Loss. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve is appropriated from Statement of Profit and Loss to "Capital Reserve" in accordance with the RBI Guidelines.

Short sale:

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines. The short position is reflected as the amount received on sale and is classified under 'Other Liabilities'. The short position is marked to market and loss, if any, is charged to the Statement of Profit and Loss while gain, if any, is ignored. Profit / Loss on settlement of the short position is recognised in the Statement of Profit and Loss.

Valuation:

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

Traded investments are valued based on the trades / quotes on the recognised stock exchanges, price list of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA'), periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA.

The valuation of other unquoted fixed income securities (viz. State Government securities, other approved securities, bonds and debentures) and preference shares, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA.

Special bonds such as oil bonds, fertilizer bonds etc. which are directly issued by Government of India ('GOI') that do not qualify for SLR are also valued by applying the mark-up above the corresponding yield on GOI securities.

Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at ` 1 as per the RBI guidelines.

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

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost and stated at acquisition cost.

Security receipts are valued as per the net asset value provided by the issuing Asset Reconstruction Company from time to time.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the six groups, is charged to the Statement of Profit and Loss. The net appreciation, if any, in any of the six groups is not recognised except to the extent of depreciation already provided. The valuation of investments includes securities under repo transactions. The book value of individual securities is not changed after the valuation of investments.

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a constant yield-to-maturity basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in subsidiaries / joint ventures is provided for.

Non-performing investments are identified and depreciation / provision are made thereon based on the RBI guidelines. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Statement of Profit and Loss until received.

Repo and reverse repo transactions:

In accordance with the RBI guidelines, repurchase and reverse repurchase transactions in government securities and corporate debt securities are reflected as borrowing and lending transactions respectively.

Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.

2 Advances

Classification:

Advances are classified as performing and non-performing based on the RBI guidelines and are stated net of bills rediscounted, inter-bank participation with risk, specific provisions, interest in suspense for non-performing advances, claims received from Export Credit Guarantee Corporation, provisions for funded interest term loan classified as non-performing advances and provisions in lieu of diminution in the fair value of restructured assets. Interest on non-performing advances is transferred to an interest suspense account and not recognised in the Statement of Profit and Loss until received.

Provisioning:

Specific loan loss provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of wholesale and retail advances, subject to the minimum provisioning level prescribed by the RBI.

The specific provision levels for retail non-performing assets are also based on the nature of product and delinquency levels. Specific loan loss provisions in respect of non-performing advances are charged to the Statement of Profit and Loss and included under Provisions and Contingencies.

In accordance with RBI guidelines, accelerated provision is made on non-performing advances which were not earlier reported by the Bank as Special Mention Account under "SMA-2" category to Central Repository of Information on Large Credits (CRILC). Accelerated provision is also made on non-performing advances which are erstwhile SMA-2 accounts with Aggregate Exposure (AE) ` 1,000 million or above and Joint Lenders' Forum (JLF) is not formed or they fail to agree upon a common Corrective Action Plan (CAP) within the stipulated time frame.

Non-performing advances are written-off in accordance with the Bank's policies. Recoveries from bad debts written-off are recognised in the Statement of Profit and Loss and included under other income.

In relation to non-performing derivative contracts, as per the extant RBI guidelines, the Bank makes provision for the entire amount of overdue and future receivables relating to positive marked to market value of the said derivative contracts.

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, and gold in accordance with the guidelines and at levels stipulated by RBI from time to time. In the case of overseas branches, general provision on standard advances is maintained at the higher of the levels stipulated by the respective overseas regulator or RBI. Provision for standard assets is included under other liabilities.

Provisions made in excess of the Bank's policy for specific loan loss provisions for non-performing assets and regulatory general provisions are categorised as floating provisions. Creation of floating provisions is considered by the Bank up to a level approved by the Board of Directors. In accordance with the RBI guidelines, floating provisions are used up to a level approved by the Board only for contingencies under extraordinary circumstances and for making specific provisions for impaired accounts as per these guidelines or any regulatory guidance / instructions. Floating provisions are included under other liabilities.

Further to the provisions required to be held according to the asset classification status, provisions are held for individual country exposures (other than for home country exposure). Countries are categorised into risk categories as per Export Credit Guarantee Corporation of India Ltd. ('ECGC') guidelines and provisioning is done in respect of that country where the net funded exposure is one percent or more of the Bank's total assets. Provision for country risk is included under other liabilities.

In addition to the above, the Bank on a prudential basis makes provisions on advances or exposures which are not NPAs, but has reasons to believe on the basis of the extant environment or specific information or basis regulatory guidance / instructions, of a possible slippage of a specific advance or a group of advances or exposures or potential exposures. These are classified as contingent provisions and included under other liabilities.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines. Restructuring of an account is done at a borrower level.

3 Securitisation and transfer of assets

The Bank securitises out its receivables to Special Purpose Vehicles ('SPVs') in securitisation transactions. Such securitised-out receivables are de-recognised in the balance sheet when they are sold (true sale criteria being fully met with) and consideration is received by the Bank. Sales / Transfers that do not meet these criteria for surrender of control are accounted for as secured borrowings. In respect of receivable pools securitised-out, the Bank provides liquidity and credit enhancements, as specified by the rating agencies, in the form of cash collaterals / guarantees and / or by subordination of cash flows in line with RBI guidelines. The Bank also acts as a servicing agent for receivable pools securitised-out.

The Bank also enters into transactions for transfer of standard assets through the direct assignment of cash flows, which are similar to asset-backed securitisation transactions through the SPV route, except that such portfolios of receivables are assigned directly to the purchaser and are not represented by Pass Through Certificates (‘PTCs’).

The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines. The Bank amortises any profit received for every individual securitisation or direct assignment transaction based on the method prescribed in these guidelines.

In relation to securitisation transactions undertaken prior to the aforementioned RBI guidelines, including those undertaken through the direct assignment route, the Bank continues to amortise the profit / premium that arose on account of sale of receivables over the life of the securities sold, in accordance with the RBI guidelines on securitisation of standard assets issued vide its circular dated February 1, 2006.

Any loss arising on account of sale of receivables is recognised in the Statement of Profit and Loss for the period in which the sale occurs in accordance with the said RBI guidelines.

The Bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

The Bank enters into transactions for the sale or purchase of priority sector lending certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfillment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfillment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as ‘Miscellaneous Income’ and the fee paid for purchase of the PSLC is recorded as ‘Other Expenditure’ in statement of Profit and Loss.

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

The Bank invests in PTCs issued by other SPVs. These are accounted for at the deal value and are classified as investments. The Bank also buys loans through the direct assignment route which are classified as advances. These are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the tenor of the loans.

4 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. The management believes that the useful life of assets assessed by the Bank, pursuant to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets are given below:

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act, 2013
Owned Premises	61 years	60 years
Automated Teller Machines (‘ATMs’)	10 years	15 years
Electrical equipment and installations	6 to 10 years	10 years
Office equipment	3 to 6 years	5 years
Computers	3 years	3 years
Modems, routers, switches, servers, network	3 to 6 years	6 years

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act, 2013
and related IT equipment		
Motor cars	4 years	8 years
Furniture and fittings	16 years	10 years

- Improvements to lease hold premises are charged off over the remaining primary period of lease.
- Software and system development expenditure is depreciated over a period of 5 years.
- Point of sale terminals are fully depreciated in the year of purchase.
- For assets purchased and sold during the year, depreciation is provided on pro-rata basis by the Bank.
- Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.
- Profit on sale of immovable property net of taxes and transfer to statutory reserve, are transferred to capital reserve account.

5 Impairment of assets

The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Statement of Profit and Loss to the extent the carrying amount of assets exceeds their estimated recoverable amount.

6 Transactions involving foreign exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of integral foreign operations (representative offices) are translated at the weekly average closing rates and of non-integral foreign operations (foreign branches) at the monthly average closing rates.

Foreign currency monetary items of domestic and integral foreign operations are translated at the closing exchange rates notified by Foreign Exchange Dealers' Association of India ('FEDAI') as at the Balance Sheet date and the resulting net valuation profit or loss arising due to a net open position in any foreign currency is recognised in the Statement of Profit and Loss.

Both monetary and non-monetary foreign currency assets and liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the Balance Sheet date and the resulting profit / loss arising from exchange differences are accumulated in the Foreign Currency Translation Account until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS - 11, The Effects of Changes in Foreign Exchange Rates.

Foreign exchange spot and forward contracts outstanding as at the Balance Sheet date and held for trading, are revalued at the closing spot and forward rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities. The USD-INR rate for valuation of contracts having longer maturities i.e. greater than one year, is implied from MIFOR and LIBOR curves. For other currency pairs, the forward points (for rates / tenors not published by FEDAI) are obtained from Reuters for valuation of the FX deals. As directed by FEDAI to consider P&L on present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Statement of Profit and Loss. Foreign exchange contracts are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value).

Foreign exchange forward contracts not intended for trading, that are entered into to establish the amount of reporting currency required or available at the settlement date of a transaction, and are outstanding at the Balance Sheet date, are effectively valued at the closing spot rate. The premia or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

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

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

7 Derivative contracts

The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance Sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Statement of Profit and Loss.

Derivative contracts designated as hedges are not marked to market unless their underlying transaction is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Statement of Profit and Loss in the relevant period. The Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. Hedge effectiveness is ascertained at the time of the inception of the hedge and periodically thereafter. Gains or losses arising from hedge ineffectiveness, if any, are recognised in the Statement of Profit and Loss.

Contingent liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

8 Revenue recognition

Interest income is recognised in the Statement of Profit and Loss on an accrual basis, except in the case of non-performing assets and loan accounts where restructuring has been approved by the RBI under Strategic Debt Restructuring (SDR) scheme where it is recognised upon realisation as per RBI norms.

Interest income on investments in PTCs and loans bought out through the direct assignment route is recognised at their effective interest rate.

Income on non-coupon bearing discounted instruments is recognised over the tenor of the instrument on a constant effective yield basis.

Loan processing fee is recognised as income when due. Syndication / Arranger fee is recognised as income when a significant act / milestone is completed.

Gain / loss on sell down of loans is recognised in line with the extant RBI guidelines.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

Guarantee commission, commission on letter of credit, annual locker rent fees and annual fees for credit cards are recognised on a straight-line basis over the period of contract. Other fees and commission income are recognised when due, where the Bank is reasonably certain of ultimate collection.

9 Employee benefits

Employee Stock Option Scheme ('ESOS'):

The Employee Stock Option Scheme ('the Scheme') provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Bank follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price of the underlying stock over the exercise price as determined under the option plan. The market price is the closing price on the stock exchange where there is highest trading volume on the working day immediately preceding the date of grant. Compensation cost, if any is amortised over the vesting period.

Gratuity:

The Bank provides for gratuity to all employees. The benefit vests upon completion of five years of service and is in the form of lump sum payment to employees on resignation, retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. The Bank makes contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. In respect of erstwhile Lord Krishna Bank (‘eLKB’) employees, the Bank makes contribution to a fund set up by eLKB and administered by the Board of Trustees.

The defined gratuity benefit plans are valued by an independent actuary as at the Balance Sheet date using the projected unit credit method as per the requirement of AS-15, Employee Benefits, to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognised in the Statement of Profit and Loss.

Superannuation:

Employees of the Bank, above a prescribed grade, are entitled to receive retirement benefits under the Bank’s Superannuation Fund. The Bank contributes a sum equivalent to 13% of the employee’s eligible annual basic salary (15% for the whole time directors and for certain eligible erstwhile Centurion Bank of Punjab (‘eCBoP’) staff) to insurance companies, which administer the fund. The Bank has no liability for future superannuation fund benefits other than its contribution, and recognises such contributions as an expense in the year incurred, as such contribution is in the nature of defined contribution.

Provident fund:

In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund. The Bank contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee’s basic salary). Of this, the Bank contributes an amount equal to 8.33% of employee’s basic salary up to a maximum salary level of `15,000/- per month, to the Pension Scheme administered by the Regional Provident Fund Commissioner (‘RPFC’). The balance amount is contributed to a fund set up by the Bank and administered by a Board of Trustees. In respect of eCBoP employees, employer’s and employee’s share of contribution to Provident Fund till March 2009, was administered by RPFC and from April 2009 onwards, the same is transferred to the fund set up by the Bank and administered by the Board of Trustees. In respect of eLKB employees, the Bank contributes to a fund set up by eLKB and administered by a Board of Trustees. The Bank recognises such contributions as an expense in the year in which it is incurred. Interest payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the Bank.

The guidance note on implementing AS-15, Employee Benefits, states that benefits involving employer established provident funds, which require interest shortfalls to be provided, are to be considered as defined benefit plans. Actuarial valuation of this Provident Fund interest shortfall is done as per the guidance note issued in this respect by The Institute of Actuaries of India (IAI) and provision towards this liability is made.

The overseas branches of the Bank make contribution to the respective relevant government scheme calculated as a percentage of the employees’ salaries. The Bank’s obligations are limited to these contributions, which are expensed when due, as such contribution is in the nature of defined contribution.

Leave encashment / Compensated absences:

The Bank does not have a policy of encashing unavailed leave for its employees, except for certain eLKB employees under Indian Banks’ Association (‘IBA’) structure. The Bank provides for leave encashment / compensated absences based on an independent actuarial valuation at the Balance Sheet date, which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation.

Pension:

In respect of pension payable to certain eLKB employees under IBA structure, which is a defined benefit scheme, the Bank contributes 10% of basic salary to a pension fund set up by the Bank and administered by the Board of Trustees and the balance amount is provided based on actuarial valuation as at the Balance Sheet date conducted by an independent actuary.

In respect of certain eLKB employees who had moved to a Cost to Company (‘CTC’) driven compensation structure and had completed less than 15 years of service, the contribution which was made until then, is maintained as a fund and will be converted into annuity on separation after a lock-in-period of two years. For this category of employees, liability stands frozen and no additional provision is required except for interest as applicable to Provident Fund, which is provided for.

In respect of certain eLKB employees who moved to a CTC structure and had completed service of more than 15 years, pension would be paid on separation based on salary applicable as on the date of movement to CTC structure. Provision thereto is made based on actuarial valuation as at the Balance Sheet date conducted by an independent actuary.

10 Debit and credit cards reward points

The Bank estimates the probable redemption of debit and credit card reward points and cost per point using an actuarial method by employing an independent actuary, which includes assumptions such as mortality, redemption and spends. Provisions for liabilities on the outstanding reward points are made based on the actuarial valuation report as furnished by the said independent actuary and included in other liabilities.

11 Bullion

The Bank imports bullion including precious metal bars on a consignment basis for selling to its wholesale and retail customers. The imports are typically on a back-to-back basis and are priced to the customer based on an estimated price quoted by the supplier. The Bank earns a fee on such wholesale bullion transactions. The fee is classified under commission income.

The Bank also deals in bullion on a borrowing and lending basis and the interest paid / received thereon is classified as interest expense / income respectively.

12 Lease accounting

Lease payments including cost escalation for assets taken on operating lease are recognised in the Statement of Profit and Loss over the lease term on a straight-line basis in accordance with the AS-19, Leases.

13 Income tax

Income tax expense comprises current tax provision (i.e. the amount of tax for the period determined in accordance with the Income Tax Act, 1961, the rules framed there under and considering the material principles set out in Income Computation and Disclosure Standards) and the net change in the deferred tax asset or liability during the year. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences between the carrying values of assets and liabilities and their respective tax bases, and operating loss carried forward, if any. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates as at the Balance Sheet date.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each Balance Sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realised.

14 Earnings per share

The Bank reports basic and diluted earnings per equity share in accordance with AS-20, Earnings per Share. Basic earnings per equity share has been computed by dividing net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted to equity during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and the dilutive potential equity shares outstanding during the period except where the results are anti-dilutive.

15 Share issue expenses

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

16 Segment information

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

17 Accounting for provisions, contingent liabilities and contingent assets

In accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets, the Bank recognises provisions when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Provisions are determined based on management estimate required to settle the obligation at the Balance Sheet date, supplemented by experience of similar transactions. These are reviewed at each Balance Sheet date and adjusted to reflect the current management 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 the 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, if any, are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

Onerous contracts

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

18 Cash and cash equivalents

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

19 Corporate social responsibility

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013, are recognised in the Statement of Profit and Loss.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017

Amounts in notes forming part of the financial statements for the year ended March 31, 2017 are denominated in rupee crore to conform to extant RBI guidelines.

1 Change in classification

Pursuant to RBI circular dated May 19, 2016, the Bank has, included its repurchase / reverse repurchase transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) with RBI under 'Borrowings from RBI' / 'Balances with RBI', as the case may be. Hitherto, these transactions were netted from / included under ‘Investments’. Figures of the previous year have been regrouped / reclassified to conform to current year’s classification. The above change in classification has no impact on the profit of the Bank for the years ended March 31, 2017 and March 31, 2016.

2 Proposed Dividend

The Board of Directors, at their meeting held on April 21, 2017 have proposed a dividend of ₹ 11.00 per equity share aggregating ₹ 3,392.71 crore, inclusive of tax on dividend. The proposal is subject to the approval of shareholders at the Annual General Meeting. In terms of revised Accounting Standard (AS) 4 ‘Contingencies and Events occurring after the Balance sheet date’ as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated proposed dividend from Statement of Profit and Loss for the year ended March 31, 2017. Accordingly, the proposed dividend and the tax thereon, under Appropriations in the Statement of Profit and Loss is lower by ₹ 2,818.80 crore and ₹ 573.91 crore respectively and the balance of Other Liabilities is lower by an equivalent amount as at March 31, 2017. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of the capital adequacy ratio as at March 31, 2017.

3 Capital adequacy

The Bank’s capital to risk-weighted asset ratio (‘Capital Adequacy Ratio’) as at March 31, 2017 is calculated in accordance with the RBI’s guidelines on Basel III capital regulations (‘Basel III’). The phasing in of the minimum capital ratio requirement under Basel III is as follows:

(% of RWAs)

	As at March 31,			
	2016	**2017**	**2018**	**2019**
Common equity tier I	6.125	6.750	7.375	8.000
Tier I capital	7.625	8.250	8.875	9.500
Total capital	9.625	10.250	10.875	11.500

The above minimum CET1, Tier I and Total capital ratio requirement includes capital conservation buffer.

The Bank’s capital adequacy ratio computed under Basel III is given below:

(₹ crore)

Particulars	**March 31, 2017**	**March 31, 2016**
Tier I capital	81,829.30	70,032.52
Of which common equity tier I capital	81,829.30	70,032.52
Tier II capital	11,302.66	12,243.44
Total capital	93,131.96	82,275.96
Total risk weighted assets	640,029.93	529,768.14
Capital adequacy ratios under Basel lII		
Tier I	12.79%	13.22%
Of which common equity tier I	12.79%	13.22%
Tier II	1.76%	2.31%
Total	**14.55%**	**15.53%**

The Bank has not raised any additional tier I and tier II capital during the years ended March 31, 2017 and March 31, 2016.

Subordinated debt (lower Tier II capital), upper Tier II capital and innovative perpetual debt instruments outstanding as at March 31, 2017 are ₹ 10,402.00 crore (previous year: ₹ 10,812.00 crore), ₹ 2,780.00 crore (previous year: ₹ 4,078.45 crore) and nil (previous year: ₹ 200.00 crore) respectively.

In accordance with RBI guidelines, banks are required to make Pillar 3 disclosures under Basel III capital regulations. The Bank's Pillar 3 disclosures are available on its website at the following link: http://www.hdfcbank.com/aboutus/basel_disclosures/default.htm. These Pillar 3 disclosures have not been subjected to audit or review by the statutory auditors.

Capital Infusion

During the year ended March 31, 2017, the Bank allotted 3,43,59,200 equity shares (previous year: 2,16,91,200 equity shares) aggregating to face value ₹ 6.87 crore (previous year: ₹ 4.34 crore) in respect of stock options exercised. Accordingly, share capital increased by ₹ 6.87 crore (previous year: ₹ 4.34 crore) and share premium increased by ₹ 2,254.64 crore (previous year: ₹ 1,218.56 crore).

Details of movement in the paid-up equity share capital of the Bank are given below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Opening balance	505.64	501.30
Addition pursuant to stock options exercised	6.87	4.34
Closing balance	512.51	505.64

4 Earnings per equity share

Basic and diluted earnings per equity share have been calculated based on the net profit after taxation of ₹ 14,549.66 crore (previous year: ₹ 12,296.23 crore) and the weighted average number of equity shares outstanding during the year of 2,54,43,33,609 (previous year: 2,51,74,29,120).

Following is the reconciliation between basic and diluted earnings per equity share:

Particulars	For the years ended	
	March 31, 2017	March 31, 2016
Nominal value per share (₹)	2.00	2.00
Basic earnings per share (₹)	57.18	48.84
Effect of potential equity shares (per share) (₹)	(0.75)	(0.58)
Diluted earnings per share (₹)	56.43	48.26

Basic earnings per equity share has been computed by dividing net profit for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share has been computed by dividing the net profit for the year attributable to the equity shareholders by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. The dilutive impact is on account of stock options granted to employees by the Bank. There is no impact of dilution on the profits in the current year and previous year.

Following is the reconciliation of weighted average number of equity shares used in the computation of basic and diluted earnings per share:

Particulars	For the years ended	
	March 31, 2017	March 31, 2016
Weighted average number of equity shares used in computing basic earnings per equity share	2,54,43,33,609	2,51,74,29,120
Effect of potential equity shares outstanding	3,40,55,428	3,04,43,320
Weighted average number of equity shares used in computing diluted earnings per equity share	2,57,83,89,037	2,54,78,72,440

5 Reserves and Surplus

Draw down from reserves

Share Premium

The Bank has not undertaken any drawdown from reserves during the years ended March 31, 2017 and March 31, 2016.

Statutory Reserve

The Bank has made an appropriation of ₹ 3,637.41 crore (previous year: ₹ 3,074.05 crore) out of profits for the year ended March 31, 2017 to Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

Capital Reserve

During the year ended March 31, 2017, the Bank appropriated ₹ 313.41 crore (previous year: ₹ 222.15 crore), being the profit from sale of investments under HTM category and profit on sale of immovable properties, net of taxes and transfer to statutory reserve, from Profit and Loss Account to Capital Reserve Account.

General Reserve

The Bank has made an appropriation of ₹ 1,454.96 crore (previous year: ₹ 1,229.62 crore) out of profits for the year ended March 31, 2017 to General Reserve.

Investment Reserve Account

During the year ended March 31, 2017, the Bank has appropriated ₹ 4.29 crore (net) from Profit and Loss Account to Investment Reserve Account as per RBI guidelines. In the previous year, the Bank had transferred ₹ 8.52 crore (net) from Investment Reserve Account to Profit and Loss Account as per RBI guidelines.

6 Dividend on shares allotted pursuant to exercise of stock options

The Bank may allot equity shares after the Balance Sheet date but before the book closure date pursuant to the exercise of any employee stock options. These equity shares will be eligible for full dividend for the year ended March 31, 2017, if approved at the ensuing Annual General Meeting.

7 Accounting for employee share based payments

The shareholders of the Bank approved grant of equity share options under Plan "C" in June 2005, Plan "D" in June 2007, Plan "E" in June 2010, Plan "F" in June 2013 and Plan "G" in July 2016. Under the terms of each of these Plans, the Bank may issue to its employees and Whole Time Directors, Equity Stock Options ('ESOPs') each of which is convertible into one equity share. All the plans were framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time and as applicable at the time of grant. Accounting for the stock options has been in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014 to the extent applicable.

Plans C, D, E, F and G provide for the issuance of options at the recommendation of the Nomination & Remuneration Committee at the closing price on the working day immediately preceding the date when options are granted. This closing price is the closing price of the Bank's equity share on an Indian stock exchange with the highest trading volume as of the working day preceding the date of grant.

Vesting conditions applicable to the options are at the discretion of the Nomination & Remuneration Committee. These options are exercisable on vesting, for a period as set forth by the Nomination & Remuneration Committee at the time of grant. The period in which options may be exercised cannot exceed five years. During the years ended March 31, 2017 and March 31, 2016, no modifications were made to the terms and conditions of ESOPs as approved by the Nomination & Remuneration Committee.

Activity in the options outstanding under the Employee Stock Option Plans

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2017:

Particulars	Number of Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	12,86,54,300	840.19
Granted during the year	-	-
Exercised during the year	3,43,59,200	658.20
Forfeited / Lapsed during the year	21,38,800	972.97
Options outstanding, end of year	9,21,56,300	904.97
Options exercisable	5,63,14,000	835.06

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2016:

Particulars	Number of Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	10,90,33,000	683.16
Granted during the year	4,48,36,200	1,092.65
Exercised during the year	2,16,91,200	563.78
Forfeited / Lapsed during the year	35,23,700	895.09
Options outstanding, end of year	12,86,54,300	840.19
Options exercisable	4,96,81,000	661.84

- Following table summarises the information about stock options outstanding as at March 31, 2017:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan C	680.00 to 835.50	46,44,400	2.34	690.91
Plan D	680.00	33,34,300	2.33	680.00
Plan E	468.4 to 680.00	1,50,94,600	2.18	650.01
Plan F	835.50 to 1,097.80	6,90,83,000	3.90	985.92

- Following table summarises the information about stock options outstanding as at March 31, 2016:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan C	680.00 to 835.50	57,40,800	3.34	693.00
Plan D	680.00	51,33,900	3.32	680.00
Plan E	440.16 to 680.00	3,78,50,200	2.49	598.71
Plan F	835.50 to 1,097.80	7,99,29,400	4.80	975.41

Fair value methodology

The fair value of options used to compute *proforma* net income and earnings per equity share have been estimated on the dates of each grant using the binomial option-pricing model. The Bank estimates the volatility based on the historical share prices. No stock options were granted during the year ended March 31, 2017 (previous year: 4,48,36,200). The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2016 were:

Particulars	March 31, 2016
Dividend yield	0.73%
Expected volatility	23.29% to 26.46%
Risk-free interest rate	7.71% to 8.07%
Expected life of the options	1 to 7 years

Impact of fair value method on net profit and Earnings Per Share ('EPS')

Had the compensation cost for the Bank's stock option plans been determined based on the fair value approach, the Bank's net profit and earnings per share would have been as per the *proforma* amounts indicated below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Net profit (as reported)	14,549.66	12,296.23
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method *(proforma)*	812.75	1,265.93
Net profit *(proforma)*	13,736.91	11,030.30
	(₹)	**(₹)**
Basic earnings per share (as reported)	57.18	48.84
Basic earnings per share *(proforma)*	53.99	43.82
Diluted earnings per share (as reported)	56.43	48.26
Diluted earnings per share *(proforma)*	53.28	43.29

8 Other liabilities

- The Bank held contingent provisions towards standard assets amounting to ₹ 2,392.22 crore as at March 31, 2017 (previous year: ₹ 2,001.21 crore). These are included under other liabilities.

  ✓ Provision for standard assets is made @ 0.25% for direct advances to agriculture and Small and Micro Enterprises (SMEs) sectors, @ 1% for advances to commercial real estate sector, @ 0.75% for advances to commercial real estate - residential housing sector, @ 5% on restructured standard advances, @ 2% until after one year from the date on which the rates are reset at higher rates for housing loans offered at a comparatively lower rate of interest in the first few years and @ 2% on all exposures to the wholly owned step down subsidiaries of the overseas subsidiaries of Indian companies, sanctioned / renewed after December 31, 2015.

  ✓ Provision towards standard advances under Strategic Debt Restructuring (SDR) scheme is made @ 15% till the outstanding loan/facilities in the account perform satisfactorily during the 'specified period' (as defined in the scheme) and @ 5% for accounts classified under special mention account "SMA-2" category, where the Bank under consortium / multiple banking arrangement has the largest Aggregate Exposure (AE) or second largest AE with aggregate exposure of ₹ 1,000 million or above and Joint Lenders' Forum (JLF) is not formed or the JLF fails to agree upon a common corrective action plan within the stipulated time frame.

  ✓ In accordance with regulatory guidelines and based on the information made available by its customers to the Bank, for exposures to customers who have not hedged their foreign currency exposures, provision for standard assets is made at levels ranging up to 0.80% depending on the likely loss the entities could incur on account of exchange rate movements.

  ✓ Provision for standard assets of overseas branches is made at higher of rates prescribed by the overseas regulator or RBI.

  ✓ For all other loans and advances including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, provision for standard assets is made @ 0.40%.

- The Bank has presented gross unrealised gain on foreign exchange and derivative contracts under other assets and gross unrealised loss on foreign exchange and derivative contracts under other liabilities. Accordingly, other liabilities as at March 31, 2017 include unrealised loss on foreign exchange and derivative contracts of ₹ 13,880.38 crore (previous year: ₹ 7,524.88 crore).

9 Unhedged foreign currency exposure

- The Bank has in place a policy and process for managing currency induced credit risk. The credit appraisal memorandum prepared at the time of origination and review of a credit is required to discuss the exchange risk that the customer is exposed to from all sources, including trade related, foreign currency borrowings and external commercial borrowings. It could cover the natural hedge available to the customer as well as other hedging methods adopted by the customer to mitigate exchange risk. For foreign currency loans granted by the Bank beyond a defined threshold the customer will be encouraged to enter into appropriate risk hedging mechanisms with the Bank. Alternatively, the Bank will satisfy itself that the customer has the financial capacity to bear the exchange risk in the normal course of its business and / or has other mitigants to reduce the risk. On a monthly basis, the Bank reviews information on the unhedged portion of foreign currency exposures of customers, whose total foreign currency exposure with the Bank exceeds a defined threshold. Based on the monthly review, the Bank proposes suitable hedging techniques to the customer to contain the risk. A Board approved credit risk rating linked limit on unhedged foreign currency position of customers is applicable when extending credit facilities to a customer. The compliance with the limit is assessed by estimating the extent of drop in a customer's annual EBID due to a potentially large adverse movement in exchange rate impacting the unhedged foreign currency exposure of the customer. Where a breach is observed in such a simulation, the customer is advised to reduce its unhedged exposure.

- In accordance with RBI guidelines, provisions held for standard assets and capital maintained (including capital conservation buffer) by the Bank as at March 31, 2017 in respect of the unhedged foreign currency exposure of customers was ₹ 108.31 crore (previous year: ₹ 114.84 crore) and ₹ 396.86 crore (previous year: ₹ 294.57 crore) respectively.

Schedules to the Financial Statements for the year ended March 31, 2017

10 Investments

- **Value of investments:**

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Gross value of investments		
- In India	213,407.17	194,583.15
- Outside India	1,120.65	1,372.68
Provisions for depreciation on investments		
- In India	61.85	119.54
- Outside India	2.63	-
Net value of investments		
- In India	213,345.32	194,463.61
- Outside India	1,118.02	1,372.68

- **Movement in provisions held towards depreciation on investments:**

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Opening balance	119.54	113.99
Add: Provision made during the year	37.33	36.51
Less: Write-off, write back of excess provision during the year	92.39	30.96
Closing balance	64.48	119.54

Movement in provisions held towards depreciation on investments has been reckoned on a yearly basis.

- **Repo transactions**

✓ Details of repo / reverse repo deals (in face value terms) done during the year ended March 31, 2017:

(₹ crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2017
Securities sold under repo				
1. Corporate debt securities	-	-	-	-
2. Government securities	-	32,620.54	7,445.30	-
Securities purchased under reverse repo				
1. Corporate debt securities	-	132.00	30.74	-
2. Government securities	-	31,413.37	6,900.12	4,690.56

✓ Details of repo / reverse repo deals (in face value terms) done during the year ended March 31, 2016:

(₹ crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2016
Securities sold under repo				
1. Corporate debt securities	-	-	-	-
2. Government securities	-	32,530.40	11,097.06	31,950.52
Securities purchased under reverse repo				
1. Corporate debt securities	-	211.60	144.49	132.00
2. Government securities	-	20,106.00	2,868.40	-

- **Non-SLR investment portfolio**

✓ Issuer-wise composition of non-SLR investments as at March 31, 2017:

(₹ crore)

Sr. No.	Issuer	Amount	Extent of private placement#	Extent of "below investment grade" securities#	Extent of "unrated" securities#*	Extent of "unlisted" securities#**
1	Public sector undertakings	2,225.18	2,174.65	-	-	-
2	Financial institutions	1,400.31	1,360.00	-	-	-
3	Banks	700.36	-	-	-	-
4	Private corporate	41,069.41	39,337.27	-	33.51	3,793.61
5	Subsidiaries / Joint ventures	3,843.32	3,843.32	-	-	-
6	Others	2,870.54	2,860.53	-	-	-
7	Provision held towards depreciation	(64.48)				
	Total	**52,044.64**	**49,575.77**	**-**	**33.51**	**3,793.61**

\# *Amounts reported under these columns above are not mutually exclusive.*
* *Excludes investments in equity shares and units of equity oriented mutual funds in line with extant RBI guidelines.*
** *Excludes investments in equity shares, units of equity oriented mutual funds, pass through certificates, security receipts, commercial paper and certificate of deposits in line with extant RBI guidelines.*

✓ Issuer-wise composition of non-SLR investments as at March 31, 2016:

(₹ crore)

Sr. No.	Issuer	Amount	Extent of private placement#	Extent of "below investment grade" securities#	Extent of "unrated" securities# *	Extent of "unlisted" securities# **
1	Public sector undertakings	1,357.71	1,357.71	-	-	-
2	Financial institutions	4,875.28	4,775.38	-	-	-
3	Banks	873.92	1.00	-	-	-
4	Private corporate	24,911.15	23,242.35	-	83.80	431.21
5	Subsidiaries / Joint ventures	2,782.96	2,782.96	-	-	-
6	Others	3,493.73	3,490.73	-	-	-
7	Provision held towards depreciation	(119.54)				
	Total	**38,175.21**	**35,650.13**	**-**	**83.80**	**431.21**

\# *Amounts reported under these columns above are not mutually exclusive.*
* *Excludes investments in equity shares and units of equity oriented mutual funds in line with extant RBI guidelines.*
** *Excludes investments in equity shares, units of equity oriented mutual funds, pass through certificates, security receipts, commercial paper and certificate of deposits in line with extant RBI guidelines.*

✓ Non-performing non-SLR investments:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Opening balance	87.02	101.30
Additions during the year	34.61	19.13
Reductions during the year	70.06	33.41
Closing balance	51.57	87.02
Total provisions held	38.02	84.33

- **Details of investments category-wise**

The details of investments held under the three categories viz. Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HTM) are as under:

(₹ crore)

Particulars	As at March 31, 2017				As at March 31, 2016			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government securities	1,736.34	35,614.27	125,068.09	162,418.70	5,444.11	46,212.83	106,004.14	157,661.08
Other approved securities	-	-	-	-	-	-	-	-
Shares	-	114.21	-	114.21	-	76.74	-	76.74
Debentures and bonds	1,734.61	17,550.42	1,300.00	20,585.03	1,474.90	4,282.31	500.00	6,257.21
Subsidiary / Joint ventures	-	-	3,843.32	3,843.32	-	-	2,782.96	2,782.96
Others	-	27,502.08	-	27,502.08	-	29,058.30	-	29,058.30
Total	**3,470.95**	**80,780.98**	**130,211.41**	**214,463.34**	**6,919.01**	**79,630.18**	**109,287.10**	**195,836.29**

- Other investments as at the Balance Sheet date include commercial paper amounting to ₹ 24,494.53 crore (previous year: ₹ 25,431.18 crore).

- Investments include securities of Face Value (FV) aggregating ₹ 1,520.00 crore (previous year: FV ₹ 1,520.00 crore) which are kept as margin for clearing of securities, of FV ₹ 24,488.31 crore (previous year: FV ₹ 13,729.30 crore) which are kept as margin for Collateralised Borrowing and Lending Obligation (CBLO) and of FV aggregating ₹ 100.00 crore (previous year: FV ₹ 56.00 crore) which are kept as margin for Forex Forward segment - Default Fund with the Clearing Corporation of India Limited (CCIL).

- Investments include securities of FV aggregating ₹ 16.00 crore (previous year: FV ₹ 16.00 crore) which are kept as margin with National Securities Clearing Corporation of India Limited (NSCCIL), of FV aggregating ₹ 13.00 crore (previous year: FV ₹ 13.00 crore) which are kept as margin with Metropolitan Clearing Corporation of India Limited and of FV aggregating ₹ 5.00 crore (previous year: ₹ 1.00 crore) which are kept as margin with Indian Clearing Corporation Limited in the BSE currency derivatives segment.

- Investments having FV aggregating ₹ 42,730.27 crore (previous year: FV ₹ 35,937.22 crore) are kept as margin towards Real Time Gross Settlement (RTGS) and those having FV aggregating ₹ 41,473.92 crore (previous year: ₹ 13,091.46 crore) are kept as margin towards repo transactions with the RBI.

- Investments of FV aggregating ₹ 11.05 crore (previous year: FV ₹ 10.05 crore) are kept as margin for Forex Settlement Default Fund, of FV aggregating ₹ 75.40 crore (previous year: ₹ 85.40 crore) are kept as Cash Margin, of FV aggregating ₹ 65.00 crore (previous year: nil) are kept as margin for Securities Segment Default Fund, of FV aggregating ₹ 25.00 crore (previous year: nil) are kept as margin for CBLO Segment Default Fund and of FV aggregating ₹ 41.00 crore (previous year: ₹ 11.00 crore) are kept as margin for Rupee Derivatives Guaranteed Settlement Default Fund with CCIL.

- The Bank has made investments in certain companies wherein it holds more than 25% of the equity shares of those companies. Such investments do not fall within the definition of a joint venture as per AS-27, Financial Reporting of Interest in Joint Ventures and the said accounting standard is thus not applicable. However, pursuant to RBI guidelines, the Bank has classified and disclosed these investments as joint ventures.

- During the year ended March 31, 2017, the aggregate book value of investment sold from, and transferred to / from, HTM category was in excess of 5% of the book value of investments held in HTM category at the beginning of the year. The market value of investments (excluding investments in subsidiaries / joint ventures and Non SLR bonds) under HTM category as at March 31, 2017 was ₹ 128,886.02 crore and was higher than the book value thereof as at that date. In accordance with the RBI guidelines, sale from, and transfer to / from, HTM category excludes the:

  - ✓ one-time transfer of the securities permitted to be undertaken by banks at the beginning of the accounting year with approval of the Board of Directors;
  - ✓ sales to the RBI under pre-announced open market operation auctions; and
  - ✓ repurchase of Government securities by Government of India from banks.
  - ✓ sale of securities or transfer to AFS / HFT consequent to the reduction of ceiling on SLR securities under HTM at the beginning of January, July and September 2016, in addition to the shifting permitted at the beginning of the accounting year, i.e, April 2016.

11 Derivatives

- **Forward Rate Agreements (FRA) / Interest Rate Swaps (IRS)*:**

(₹ crore)

Sr. No.	Particulars	March 31, 2017	March 31, 2016
i)	The total notional principal of swap agreements	2,38,644.16	2,20,137.21
ii)	Total losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	917.35	912.36
iii)	Concentration of credit risk arising from swaps**	69.96%	83.02%
iv)	Collateral required by the Bank upon entering into swaps	-	-
v)	The fair value of the swap book	45.32	(48.40)

* *Interest Rate Swaps are comprised of INR Interest Rate Swaps and FCY Interest Rate Swaps.*

** *Concentration of credit risk arising from swaps is with banks as at March 31, 2017 and March 31, 2016.*

The nature and terms of rupee IRS as at March 31, 2017 are set out below:

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	6	225.00	INBMK	Fixed receivable v/s floating payable
Trading	6	375.00	INBMK	Floating receivable v/s fixed payable
Trading	4	1,250.00	INCMT	Floating receivable v/s fixed payable
Trading	1,179	78,502.69	OIS	Fixed receivable v/s floating payable
Trading	1,167	76,008.42	OIS	Floating receivable v/s fixed payable
Trading	292	21,019.00	MIFOR	Fixed receivable v/s floating payable
Trading	218	12,959.00	MIFOR	Floating receivable v/s fixed payable
Trading	7	450	MIOIS	Floating receivable v/s fixed payable
Total		**1,90,789.11**		

The nature and terms of foreign currency IRS as at March 31, 2017 are set out below:

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	1	17.80	GBP Libor	Fixed receivable v/s floating payable
Trading	1	17.80	GBP Libor	Floating receivable v/s fixed payable
Trading	2	692.93	EURIBOR	Fixed receivable v/s floating payable
Trading	2	692.93	EURIBOR	Floating receivable v/s fixed payable
Trading	110	18,404.28	USD Libor	Fixed receivable v/s floating payable
Trading	194	24,786.81	USD Libor	Floating receivable v/s fixed payable
Hedging	3	3,242.50	USD Libor	Fixed receivable v/s floating payable
Total		**47,855.05**		

There were no foreign currencies FRA outstanding as at March 31, 2017.

The nature and terms of rupee IRS as at March 31, 2016 are set out below:

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	7	275.00	INBMK	Fixed receivable v/s floating payable
Trading	8	450.00	INBMK	Floating receivable v/s fixed payable
Trading	4	1,250.00	INCMT	Floating receivable v/s fixed payable
Trading	944	67,667.84	OIS	Fixed receivable v/s floating payable
Trading	901	61,759.95	OIS	Floating receivable v/s fixed payable
Trading	323	23,437.00	MIFOR	Fixed receivable v/s floating payable
Trading	239	15,135.00	MIFOR	Floating receivable v/s fixed payable
Trading	8	620.00	MIOIS	Floating receivable v/s fixed payable
Total		**170,594.79**		

The nature and terms of foreign currency IRS as at March 31, 2016 are set out below:

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	1	29.41	GBP Libor	Fixed receivable v/s floating payable
Trading	1	29.41	GBP Libor	Floating receivable v/s fixed payable
Trading	2	753.95	EURIBOR	Fixed receivable v/s floating payable
Trading	2	753.95	EURIBOR	Floating receivable v/s fixed payable
Trading	90	14,568.32	USD Libor	Fixed receivable v/s floating payable
Trading	184	26,816.42	USD Libor	Floating receivable v/s fixed payable
Hedging	3	3,312.75	USD Libor	Fixed receivable v/s floating payable
Hedging	6	2,848.97	USD Libor	Floating receivable v/s fixed payable
Total		**49,113.18**		

The nature and terms of foreign currency FRA as at March 31, 2016 are set out below:

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	1	214.63	USD Libor	Payable FRA
Trading	1	214.63	USD Libor	Receivable FRA
Total		**429.26**		

- **Exchange traded interest rate derivatives**

(₹ crore)

Sr. No.	Particulars	March 31, 2017	March 31, 2016
i)	The total notional principal amount of exchange traded interest rate derivatives undertaken during the years reported	Nil	Nil
ii)	The total notional principal amount of exchange traded interest rate derivatives outstanding	Nil	Nil
iii)	The notional principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective'	N.A.	N.A.
iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not 'highly effective'	N.A.	N.A.

- **Qualitative disclosures on risk exposure in derivatives**

Overview of business and processes

Derivatives are financial instruments whose characteristics are derived from underlying assets, or from interest and exchange rates or indices. These include forwards, swaps, futures and options. The notional amounts of financial instruments such as foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the Balance Sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the

Bank's exposure to credit or price risks. The following sections outline the nature and terms of the derivative transactions generally undertaken by the Bank.

Interest rate contracts

Forward rate agreements give the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the settlement date). There is no exchange of principal and settlement is effected on the settlement date. The settlement amount is the difference between the contracted rate and the market rate prevailing on the settlement date.

Interest rate swaps involve the exchange of interest obligations with the counterparty for a specified period without exchanging the underlying (or notional) principal.

Interest rate caps and floors give the buyer the ability to fix the maximum or minimum rate of interest. The writer of the contract pays the amount by which the market rate exceeds or is less than the cap rate or the floor rate respectively. A combination of interest rate caps and floors is known as an interest rate collar.

Interest rate futures are standardised interest rate derivative contracts traded on a recognised stock exchange to buy or sell a notional security or any other interest bearing instrument or an index of such instruments or interest rates at a specified future date, at a price determined at the time of the contract.

Exchange rate contracts

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on future date. These instruments are carried at fair value, determined based on either FEDAI rates or market quotations.

Cross currency swaps are agreements to exchange principal amounts denominated in different currencies. Cross currency swaps may also involve the exchange of interest payments on one specified currency for interest payments in another specified currency for a specified period.

Currency options give the buyer, on payment of a premium, the right but not an obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date. Option premia paid or received is recorded in Statement of Profit and Loss for rupee options at the expiry of the option and for foreign currency options on the trade date.

Currency futures contract is a standardised contract traded on an exchange, to buy or sell a certain underlying asset or an instrument at a certain date in the future, at a specified price. The underlying instrument of a currency future contract is the rate of exchange between one unit of foreign currency and the INR.

The Bank's derivative transactions relate to sales and trading activities. Sale activities include the structuring and marketing of derivatives to customers to enable them to hedge their market risks (both interest rate and exchange risks), within the framework of regulations as applicable from time to time. The Bank deals in derivatives on its own account (trading activity) principally for the purpose of generating a profit from short term fluctuations in price or yields. The Bank also deals in derivatives to hedge the risk embedded in some of its Balance Sheet assets or liabilities.

Constituents involved in derivative business

The Treasury front-office enters into derivative transactions with customers and inter-bank counterparties. The Bank has an independent back-office and mid-office as per regulatory guidelines. The Bank has a credit and market risk department that assesses various counterparty risk and market risk limits, within the risk architecture and processes of the Bank.

Derivative policy

The Bank has in place a policy which covers various aspects that apply to the functioning of the derivative business. The derivative business is administered by various market risk limits such as position limits, tenor limits, sensitivity limits, GAP limit, scenario based profit and loss limit for option portfolio and value-at-risk limits that are recommended by the Risk Policy and Monitoring Committee ('RPMC') to the Board of Directors for approval. All methodologies used to assess market and credit risks for derivative transactions are specified by the credit and market risk unit. Limits are monitored on a daily basis by the mid-office.

The Bank has implemented a Board approved policy on Customer Suitability & Appropriateness to ensure that derivative transactions entered into are appropriate and suitable to the customer's nature of business / operations. Before entering into a derivative deal with a customer, the Bank scores the customer on various risk parameters and based on the overall score level it determines the kind of product that best suits its risk appetite and the customer's requirements.

Classification of derivatives book

The derivative book is classified into trading and hedging book. Classification of the derivative book is made on the basis of the definitions of the trading and hedging books specified in the RBI guidelines. The trading book is managed within the trading limits approved by the RPMC and the Board of Directors.

Hedging policy

For derivative contracts designated as hedge, the Bank documents, at inception, the relationship between the hedging instrument and the hedged item, the risk management objective for undertaking the hedge and the methods used to assess the hedge effectiveness. Hedge effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Hedge effectiveness is measured by the degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

The hedging book consists of transactions to hedge Balance Sheet assets or liabilities. The tenor of hedging instrument may be less than or equal to the tenor of underlying hedged asset or liability. Derivative contracts designated as hedges are not marked to market unless their underlying asset or liability is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Statement of Profit and Loss in the relevant period. Gain or losses arising from hedge ineffectiveness, if any, is recognised in the Statement of Profit and Loss. Foreign exchange forward contracts not intended for trading, that are entered into to establish the amount of reporting currency required or available at the settlement date of a transaction, and are outstanding at the Balance Sheet date, are effectively valued at the closing spot rate. The premia or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

- **Provisioning, collateral and credit risk mitigation**

The Bank enters into derivative transactions with counter parties based on their business ranking and financial position. The Bank sets up appropriate limits upon evaluating the ability of the counterparty to honour its obligations in the event of crystallisation of the exposure. Appropriate credit covenants are stipulated where required as trigger events to call for collaterals or terminate a transaction and contain the risk.

The Bank, at the minimum, conforms to the RBI guidelines with regard to provisioning requirements. Overdue receivables representing crystallised positive mark-to-market value of a derivative contract are transferred to the account of the borrower and treated as non-performing assets, if these remain unpaid for 90 days or more. Full provision is made for the entire amount of overdue and future receivables relating to positive marked to market value of non-performing derivative contracts.

- **Quantitative disclosure on risk exposure in derivatives**

(₹ crore)

Sr. No.	Particulars	Currency derivatives		Interest rate derivatives	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
1	Derivatives (notional principal amount)				
	a) Hedging	156.95	160.35	3,242.50	6,161.72
	b) Trading	32,999.13	36,149.17	235,908.28	214,575.93
2	Marked to Market positions				
	a) Asset (+)	649.32	740.09	918.74	911.43
	b) Liability (-)	(571.42)	(494.47)	(857.33)	(964.86)
3	Credit Exposure	2,487.65	2,114.96	2,941.53	2,355.78
4	Likely impact of one percentage change in interest rate (100*PV01)				
	a) On hedging derivatives	0.08	0.09	15.79	32.24
	b) On trading derivatives	25.70	35.06	19.11	30.84
5	Maximum of 100*PV01 observed during the year				
	a) On hedging	0.09	0.21	43.06	44.04
	b) On trading	35.47	39.41	79.70	116.25

Sr. No.	Particulars	Currency derivatives		Interest rate derivatives	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
6	Minimum of 100*PV01 observed during the year				
	a) On hedging	0.02	0.02	15.79	30.02
	b) On trading	21.27	0.21	19.11	30.84

- ✓ The notional principal amount of foreign exchange contracts classified as hedging and trading outstanding as at March 31, 2017 amounted to ₹ 6,302.40 crore (previous year: ₹ 23,182.85 crore) and ₹ 463,627.74 crore (previous year: ₹ 505,892.93 crore) respectively.

- ✓ The notional principal amounts of derivatives reflect the volume of transactions outstanding as at the Balance Sheet date and do not represent the amounts at risk.

- ✓ For the purpose of this disclosure, currency derivatives include currency options purchased and sold and cross currency interest rate swaps.

- ✓ Interest rate derivatives include interest rate swaps, forward rate agreements and interest rate caps.

- ✓ The Bank has computed the maximum and minimum of PV01 for the year based on the balances as at the end of every month.

- ✓ In respect of derivative contracts, the Bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of:

  (a) the current replacement cost (marked to market value including accruals) of the contract or zero whichever is higher; and

  (b) the Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factors prescribed in RBI guidelines, which is applied on the basis of the residual maturity and the type of contract.

12 Asset quality

- **Movements in NPAs (funded)**

(₹ crore)

		Particulars	March 31, 2017*	March 31, 2016
(i)	Net NPAs to net advances)		0.33%	0.28%
(ii)	Movement of NPAs (Gross)			
	(a)	Opening balance	4,392.83	3,438.38
	(b)	Additions (fresh NPAs) during the year	7,126.17	5,712.64
	(c)	Reductions during the year:	5,633.34	4,758.19
		- Upgradation	1,519.42	1,377.12
		- Recoveries (excluding recoveries made from upgraded accounts)	1,727.98	1,438.65
		- Write-offs	2,385.94	1,942.42
	(d)	Closing balance	5,885.66	4,392.83
(iii)	Movement of net NPAs			
	(a)	Opening balance	1,320.37	896.28
	(b)	Additions during the year	2,357.87	1,968.39
	(c)	Reductions during the year	1,834.25	1,544.30
	(d)	Closing balance	1,843.99	1,320.37
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)			
	(a)	Opening balance	3,072.46	2,542.10
	(b)	Additions during the year	4,768.30	3,744.25
	(c)	Write-offs	2,385.94	1,942.42
	(d)	Write-back of excess provisions	1,413.15	1,271.47
	(e)	Closing balance	4,041.67	3,072.46

NPAs include all loans, investments and foreign exchange and derivatives that are classified as non-performing by the Bank.

* The RBI, vide its circulars dated November 21, 2016 and December 28, 2016, had given banks, in respect of certain eligible working capital accounts and loans of ₹ 1 crore or less, an additional 60/90 days for reckoning days past due

for classification as NPAs. Eligible accounts which were more than 90 days overdue as at March 31, 2017 have been classified as non-performing as at that date without the Bank availing of the said dispensation. These accounts otherwise would have been classified as NPAs subsequent to March 31, 2017.

- **Technical or prudential write-offs**

Technical or prudential write-offs refer to the amount of non-performing assets which are outstanding in the books of the branches, but have been written-off (fully or partially) at the head office level. The financial accounting systems of the Bank are integrated and there are no write-offs done by the Bank which remain outstanding in the books of the branches. Movement in the stock of technically or prudentially written-off accounts is given below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Opening balance of technical / prudential write-offs	-	-
Technical / Prudential write-offs during the year	-	-
Recoveries made from previously technically / prudentially written-off accounts during the year	-	-
Closing balance of technical / prudential write-offs	-	-

- **Floating provision**

Floating provision of ₹ 1,248.01 crore (previous year: ₹ 1,335.64 crore) have been included under "Other Liabilities". Movement in floating provision is given below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Opening balance	1,335.64	1,523.22
Provisions made during the year	25.00	115.00
Draw down made during the year	(112.63)	(302.58)
Closing balance	1,248.01	1,335.64

Floating provisions have been utilised as per the Board approved policy for contingencies under extraordinary circumstances and for making specific provision for impaired accounts in accordance with the RBI guidelines / directives.

- **Divergence in the asset classification and provisioning**

There was no divergence observed by the RBI for the financial year 2015-16 in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition, asset classification and provisioning (IRACP).

Schedules to the Financial Statements for the year ended March 31, 2017

- **Disclosure on accounts subjected to restructuring for the year ended March 31, 2017:**

(₹ crore, except numbers)

Sr. No.	Type of restructuring		Under Corporate Debt Restructuring (CDR) Mechanism					Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism					Others					Total				
	Asset Classification → Details ↓		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured accounts as at April 1, 2016*	No. of borrowers	2	1	7	-	10	-	-	-	-	-	2	2	5	-	9	4	3	12	-	19
		Amount outstanding	33.60	41.65	203.56	-	278.81	-	-	-	-	-	172.46	26.69	18.70	-	217.85	206.06	68.34	222.26	-	496.66
		Provision thereon	1.50	-	1.57	-	3.07	-	-	-	-	-	4.00	1.62	0.77	-	6.39	5.50	1.62	2.34	-	9.46
2	Fresh restructuring during the year #	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	0.46	-	-	0.46	-	-	-	-	-	-	-	0.24	-	0.24	-	0.46	0.24	-	0.70
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradation to restructured standard category during the year	No. of borrowers	+2	-	-2 -1	-	-1	-	-	-	-	-	+1	-	-	-	+1	+3	-	-3	-	-
		Amount outstanding	59.98	-	-63.51	-	-3.53	-	-	-	-	-	3.53	-	-	-	3.53	63.51	-	-63.51	-	-
		Provision thereon	0.36	-	-0.87	-	-0.51	-	-	-	-	-	0.51	-	-	-	0.51	0.87	-	-0.87	-	-
4	Advances not shown as restructured standard advances at the beginning of the next year^	No. of borrowers	-				-	-				-	-				-	-				
		Amount outstanding	-				-	-				-	-				-	-				
		Provision thereon	-				-	-				-	-				-	-				
5	Down gradation of restructured accounts during the year	No. of borrowers	-1	+1	-	-	-	-	-	-	-	-	-	-2	+2 -3	+3	-	-1	-1	-1	+3	-
		Amount outstanding	-13.24	+13.24	-	-	-	-	-	-	-	-	-	-26.69	+18.64	+8.05	-	-13.24	-13.45	18.64	8.05	-
		Provision thereon	-1.00	+1.00	-	-	-	-	-	-	-	-	-	-1.62	+1.45	+0.17	-	-1.00	-0.62	+1.45	+0.17	-
6	Write-offs of restructured accounts during the year ##	No. of borrowers	-	1	2	-	3	-	-	-	-	-	1	-	-	-	1	1	1	2	-	4
		Amount outstanding	22.65	41.65	113.07	-	177.37	-	-	-	-	-	3.53	-	4.03	0.89	8.45	26.18	41.65	117.10	0.89	185.82
7	Restructured accounts as at March 31, 2017*	No. of borrowers	3	1	2	-	6	-	-	-	-	-	2	-	4	3	9	5	1	6	3	15
		Amount outstanding	57.69	13.70	26.98	-	98.37	-	-	-	-	-	172.46	-	33.55	7.16	213.17	230.15	13.70	60.53	7.16	311.54
		Provision thereon	2.50	1.00	0.44	-	3.94	-	-	-	-	-	0.50	-	1.44	0.15	2.09	3.00	1.00	1.88	0.15	6.03

* Excludes the figures of standard restructured advances which do not attract higher provisioning or risk weight.

^ These are restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year.

include ₹ 0.70 crore of additional sanction (2 accounts and provision ₹ 1.50 crore) to existing restructured accounts in CDR and other package.

include ₹ 55.91 crore (15 accounts and provision ₹ 4.53 crore) in existing restructured accounts by way of recovery and ₹ 0.05 crore (1 account) is no longer required to be reported as restructured.

- **Disclosure on accounts subjected to restructuring for the year ended March 31, 2016:**

(₹ crore, except numbers)

Sr. No.	Type of restructuring		Under Corporate Debt Restructuring (CDR) Mechanism					Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism					Others					Total				
	Asset Classification → Details ↓		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured accounts as at April 1, 2015*	No. of borrowers	3	-	7	-	10	-	-	-	-	-	6	3	1	-	10	9	3	8	-	20
		Amount outstanding	70.48	-	236.88	-	307.36	-	-	-	-	-	192.32	9.02	7.74	-	209.08	262.80	9.02	244.62	-	516.44
		Provision thereon	2.10	-	5.78	-	7.88	-	-	-	-	-	16.02	0.23	1.34	-	17.59	18.12	0.23	7.12	-	25.47
2	Fresh restructuring during the year #	No. of borrowers	-	-	1	-	1	-	-	-	-	-	-	1	1	-	2	-	1	2	-	3
		Amount outstanding	3.29	1.48	6.70	-	11.47	-	-	-	-	-	9.00	3.80	2.95	-	15.75	12.29	5.28	9.65	-	27.22
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	0.75	0.01	-	0.76	-	0.75	0.01	-	0.76
3	Upgradation to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Advances not shown as restructured standard advances at the beginning of the next year^	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding	-				-	-				-	-				-	-				-
		Provision thereon	-				-	-				-	-				-	-				-
5	Down gradation of restructured accounts during the year	No. of borrowers	-1	+1	-	-	-	-	-	-	-	-	-1	+1 -3	+3	-	-	-2	+2 -3	+3	-	-
		Amount outstanding	-40.17	40.17	-	-	-	-	-	-	-	-	-24.74	15.72	9.02	-	-	-64.91	55.89	9.02	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-0.81	+0.58	+0.23	-	-	-0.81	+0.58	+0.23	-	-
6	Write-offs of restructured accounts during the year ##	No. of borrowers	-	-	1	-	1	-	-	-	-	-	3	-	-	-	3	3	-	1	-	4
		Amount outstanding	-	-	40.02	-	40.02	-	-	-	-	-	4.12	1.85	1.01	-	6.98	4.12	1.85	41.03	-	47.00
7	Restructured accounts as at March 31, 2016*	No. of borrowers	2	1	7	-	10	-	-	-	-	-	2	2	5	-	9	4	3	12	-	19
		Amount outstanding	33.60	41.65	203.56	-	278.81	-	-	-	-	-	172.46	26.69	18.70	-	217.85	206.06	68.34	222.26	-	496.66
		Provision thereon	1.50	-	1.57	-	3.07	-	-	-	-	-	4.00	1.62	0.77	-	6.39	5.50	1.62	2.34	-	9.46

* Excludes the figures of standard restructured advances which do not attract higher provisioning or risk weight.

^ These are restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year.

include ₹ 14.80 crore of additional sanction (5 accounts and provision ₹ 6.11 crore) to existing restructured accounts in CDR and other package.

include ₹ 10.79 crore (10 accounts and provision ₹ 5.18 crore) in existing restructured accounts by way of recovery and ₹ 1.01 crore (2 accounts and provision ₹ 0.17 crore) is no longer required to be reported as restructured.

- **Details of financial assets sold during the year to securitisation / reconstruction companies (SC / RC) for asset reconstruction are as under:**

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Number of accounts	-	1
Aggregate value (net of provisions) of accounts sold to SC / RC	-	3.96
Aggregate considerations	-	2.95
Additional consideration realised in respect of accounts transferred in earlier years	-	-
Aggregate gain / (loss) over net book value	-	(1.01)
Provision made to meet shortfall in sale of NPA	-	(1.01)
Amount of unamortised provision debited to 'other reserve'	-	-

- **Details of book value of investment in security receipts (SRs) backed by NPAs:**

(₹ crore)

Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago	Total March 31, 2017
(i) Backed by NPAs sold by the Bank as underlying	195.34	0.52	-	195.86
Provision held against (i)	-	-	-	-
(ii) Backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	17.17	10.12	-	27.29
Provision held against (ii)	-	-	-	-
Total	**212.51**	**10.64**	**-**	**223.15**

(₹ crore)

Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago	Total March 31, 2016
(i) Backed by NPAs sold by the Bank as underlying	202.92	0.88	-	203.80
Provision held against (i)	-	-	-	-
(ii) Backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	28.91	7.14	-	36.05
Provision held against (ii)	-	-	-	-
Total	**231.83**	**8.02**	**-**	**239.85**

- During the years ended March 31, 2017 and March 31, 2016, no non-performing financial assets were sold, excluding those sold to SC / RC.

- During the years ended March 31, 2017 and March 31, 2016, no non-performing financial assets were purchased by the Bank.

- Securitised assets as per books of SPVs sponsored by the Bank:

  There are no SPVs sponsored by the Bank as at March 31, 2017 and as at March 31, 2016.

- Accounts under the Scheme for Sustainable Structuring of Stressed Assets (S4A), as on March 31, 2017: Nil

- **Disclosure on Stressed Assets**

(i) Disclosures on Flexible Structuring of Existing Loans

(₹ crore, except numbers)

Financial year ended	No. of borrowers taken up for flexible structuring	Amount of loans taken up for flexible structuring		Exposure weighted average duration of loans taken up for flexible structuring	
		Classified as Standard	Classified as NPA	Before applying flexible structuring	After applying flexible structuring
March 31, 2017	1	39.12*	-	8 years	9.5 years
March 31, 2016	1	166.67	-	5 years	20 years #

* approval from Independent Evaluation Committee (IEC) is awaited.
# refinancing proposed at the end of 8 years.

(ii) Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)

(₹ crore, except numbers)

No. of accounts where SDR has been invoked	Amount outstanding as at March 31, 2017		Amount outstanding as at March 31, 2017 with respect to accounts where conversion of debt to equity is pending		Amount outstanding as at March 31, 2017 with respect to accounts where conversion of debt to equity has taken place	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
1	73.06	-	-	-	73.06*	-

* of which ₹ 32.87 crore of loans where conversion to equity has taken place.

(iii) Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period): Nil

(iv) Change in Ownership of Projects Under Implementation (accounts which are currently under the stand-still period): Nil

13 Details of exposures to real estate and capital market sectors, risk category-wise country exposures, factoring exposures, single / group borrower exposures, unsecured advances and concentration of deposits, advances, exposures and NPAs

- **Details of exposure to real estate sector**

Exposure is higher of limits sanctioned or the amounts outstanding as at the year end.

(₹ crore)

	Category	March 31, 2017	March 31, 2016
a)	**Direct exposure**	**65,289.89**	**49,428.76**
(i)	Residential mortgages*	42,401.22	32,245.03
	(of which housing loans eligible for inclusion in priority sector advances)	(18,951.24)	(18,697.97)
(ii)	Commercial real estate	22,877.26	17,118.59
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures:		
	(a) Residential	11.41	65.14
	(b) Commercial real estate	-	-
b)	**Indirect exposure**	**17,832.36**	**14,490.76**
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	17,832.36	14,490.76
	Total exposure to real estate sector	**83,122.25**	**63,919.52**

* *includes loans purchased under the direct loan assignment route*

Of the above, exposure to real estate developers as at March 31, 2017 is 0.5% (previous year: 0.5%) of total advances.

- **Details of capital market exposure**

Exposure is higher of limits sanctioned or the amount outstanding as at the year end.

(₹ crore)

Sr. No.	Particulars	March 31, 2017	March 31, 2016
(i)	Direct investments made 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	90.97	86.50
(ii)	Advances against shares, bonds, debentures or other securities or on clean basis to individuals for investment in shares (including IPO's / ESOP's), convertible bonds, convertible debentures and units of equity oriented mutual funds	186.94	158.75
(iii)	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	3,604.58	3,133.85
(iv)	Advances for any other purposes to the extent secured by collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	169.59	48.31
(v)	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers	8,165.08	6,881.17
(vi)	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	1,390.31	2,576.32
(vii)	Bridge loans to companies against expected equity flows / issues	-	-
(viii)	Underwriting commitments taken up in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
(ix)	Financing to stock brokers for margin trading	-	-
(x)	All exposures to venture capital funds (both registered and unregistered)	0.25	0.20
	Total exposure to capital market	**13,607.72**	**12,885.10**

- **Details of risk category wise country exposure**

(₹ crore)

Risk Category	March 31, 2017		March 31, 2016	
	Exposure (net)	Provision held	Exposure (net)	Provision held
Insignificant	17,177.70	-	13,857.28	-
Low	9,653.78	-	8,222.23	-
Moderately low	247.75	-	370.13	-
Moderate	164.44	-	143.82	-
Moderately high	9.48	-	20.23	-
High	-	-	5.25	-
Very high	-	-	-	-
Total	**27,253.15**	**-**	**22,618.94**	**-**

- **Details of factoring exposure**

The factoring exposure of the Bank as at March 31, 2017 is ₹ 2,036.11 crore (previous year: ₹ 3,515.98 crore).

- **Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the Bank**

The RBI has prescribed single and group borrower exposure limits linked to a Bank's capital funds and such limits can be enhanced by a further 5 percent thereof with the approval of the Board of Directors of the Bank. During the year ended March 31, 2017 and March 31, 2016 the Bank was within the limits prescribed by the RBI.

- **Unsecured advances**

Advances for which intangible collaterals such as rights, licenses, authority etc. are charged in favour of the Bank in respect of projects financed by the Bank, are reckoned as unsecured advances under Schedule 9 of the Balance Sheet in line with extant RBI guidelines. There are no such advances outstanding as at March 31, 2017 (previous year: Nil).

- **Inter-bank Participation with risk sharing**

The aggregate amount of participation issued by the Bank and reduced from advances as per regulatory guidelines as at March 31, 2017 was ₹ 7,500.00 crore (previous year: ₹ 6,450.00 crore).

- **Concentration of deposits, advances, exposures and NPAs**

(a) Concentration of deposits

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Total deposits of twenty largest depositors	35,562.76	28,890.12
Percentage of deposits of twenty largest depositors to total deposits of the Bank	5.5%	5.3%

(b) Concentration of advances

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Total advances to twenty largest borrowers	83,962.09	81,781.38
Percentage of advances of twenty largest borrowers to total advances of the Bank	9.4%	11.9%

Advances comprise credit exposure (funded and non-funded credit limits) including derivative transactions computed as per current exposure method in accordance with RBI guidelines.

(c) Concentration of exposure

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Total exposure to twenty largest borrowers / customers	90,046.09	89,137.40
Percentage of exposure of twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	9.5%	12.3%

Exposures comprise credit exposure (funded and non-funded credit limits) including derivative transactions and investment exposure in accordance with RBI guidelines.

(d) Concentration of NPAs

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Total gross exposure to top four NPA accounts	588.99	497.16

(e) Sector-wise advances

(₹ crore)

Sr. No.	Sector	March 31, 2017			March 31, 2016		
		Outstanding total advances	Gross non-performing loans	Percentage of gross non-performing loans to total advances in that sector	Outstanding total advances	Gross non-performing loans	Percentage of gross non-performing loans to total advances in that sector
A	**Priority sector**						
1	Agriculture and allied activities	63,186.16	1,279.98	2.03%	52,867.24	764.18	1.45%
2	Advances to industries eligible as priority sector lending	26,209.92	480.78	1.83%	24,059.96	386.90	1.61%
3	Services	52,361.67	678.46	1.30%	44,202.22	431.43	0.98%
4	Personal loans	22,350.27	14.43	0.06%	21,730.26	79.58	0.37%
	Sub-total (A)	**164,108.02**	**2,453.65**	**1.50%**	**142,859.68**	**1,662.09**	**1.16%**
B	**Non Priority sector**						
1	Agriculture and allied activities	6,905.78	74.89	1.08%	7,303.08	85.77	1.17%
2	Industry	127,366.08	1,243.07	0.98%	98,854.02	793.83	0.80%
3	Services	127,937.51	1,037.87	0.81%	104,002.56	967.17	0.93%
4	Personal loans	132,249.25	1,016.40	0.77%	114,560.04	788.74	0.69%
	Sub-total (B)	**394,458.62**	**3,372.23**	**0.85%**	**324,719.70**	**2,635.51**	**0.81%**
	Total (A) + (B)	**558,566.64**	**5,825.88**	**1.04%**	**467,579.38**	**4,297.60**	**0.92%**

- **Details of priority sector lending certificates (PSLCs)**

(₹ crore)

Type of PSLCs	For the year ended March 31, 2017	
	PSLC bought during the year	PSLC sold during the year
Agriculture	-	500.00
Small and Marginal farmers	3,269.50	21.25
Micro Enterprises	-	-
General	-	1,000.00
Total	**3,269.50**	**1,521.25**

14 Other fixed assets

Other fixed assets includes amount capitalised relating to software having useful life of five years. Details regarding the same are tabulated below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Cost		
As at March 31 of the previous year	1,737.09	1,575.65
Additions during the year	402.61	161.45
Deductions during the year	-	(0.01)
Total (a)	**2,139.70**	**1,737.09**
Depreciation		
As at March 31 of the previous year	1,218.53	1,022.83
Charge for the year	255.23	195.71
On deductions during the year	-	(0.01)
Total (b)	**1,473.76**	**1,218.53**
Net value (a-b)	**665.94**	**518.56**

15 Other assets

- Other assets include deferred tax asset (net) of ₹ 2,447.34 crore (previous year: ₹ 2,116.62 crore). The break-up of the same is as follows:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Deferred tax asset arising out of:		
Loan loss provisions	2,079.97	1,748.18
Employee benefits	167.38	148.17
Others	321.47	314.12
Total (a)	**2,568.82**	**2,210.47**
Deferred tax liability arising out of:		
Depreciation	(121.48)	(93.85)
Total (b)	**(121.48)**	**(93.85)**
Deferred tax asset (net) (a-b)	**2,447.34**	**2,116.62**

- Key items under "Others" in Other assets are as under:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Deposit with NABARD / SIDBI / NHB - PSL shortfall	11,882.37	13,719.68
Unrealised gain on foreign exchange and derivative contracts*	14,014.05	8,566.14
Deferred tax assets	2,447.34	2,116.62
Deposits & amounts paid in advance	1,740.75	1,282.19
Accounts receivable	1,568.79	1,274.66
Margin for LAF with RBI	-	1,344.51
Residual items	2.50	2.41
Total	**31,655.80**	**28,306.21**

* *The Bank has presented gross unrealised gain on foreign exchange and derivative contracts under other assets and gross unrealised loss on foreign exchange and derivative contracts under other liabilities.*

16 Maturity pattern of key assets and liabilities

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI.

- **As at March 31 , 2017**

(₹ crore)

	1 day	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans & advances	6,539.06	15,084.56	9,469.18	23,487.16	23,100.12	22,790.90	44,683.49	63,909.96	246,074.88	55,114.69	44,314.20	554,568.20
Investments	41,394.34	5,785.29	5,563.97	8,019.55	10,862.06	10,667.74	13,380.35	20,057.43	60,186.46	7,944.59	30,601.56	214,463.34
Deposits	10,336.50	26,933.57	16,982.56	14,231.55	23,725.46	23,778.34	43,975.61	69,790.72	287,584.72	13,494.82	112,805.81	643,639.66
Borrowings	313.31	3,248.71	1,622.08	3,545.16	5,072.85	2,588.29	6,431.74	16,178.33	12,543.50	6,319.90	16,165.00	74,028.87
Foreign currency assets	4,588.42	9,521.48	2,432.05	5,393.34	3,493.54	3,532.92	4,448.81	3,636.09	4,247.19	1,724.90	303.32	43,322.06
Foreign currency liabilities	1,595.20	2,863.76	2,144.67	4,356.23	5,713.99	3,212.35	4,487.00	7,486.47	11,400.66	1,784.51	1,231.75	46,276.59

- **As at March 31 , 2016**

(₹ crore)

	1 day	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans & advances	5,899.80	9,363.35	6,715.02	20,239.90	22,687.23	20,790.59	34,648.74	61,882.67	207,986.19	40,680.30	33,700.17	464,593.96
Investments	14,316.76	39,302.30	6,909.17	12,010.84	13,677.05	8,799.02	11,515.93	13,973.17	45,249.83	3,515.43	26,566.79	195,836.29
Deposits	7,833.76	24,410.58	14,502.58	12,873.38	18,947.05	17,868.01	39,301.81	78,240.13	222,890.76	12,361.51	97,194.62	546,424.19
Borrowings	42.51	34,044.93	1,253.61	2,669.86	5,693.61	2,648.99	3,960.08	10,046.25	8,977.05	1,767.55	13,864.55	84,968.99
Foreign currency assets	3,613.68	5,965.52	2,006.00	6,326.41	4,309.81	3,188.70	5,275.05	15,829.01	5,571.21	1,326.15	603.60	54,015.14
Foreign currency liabilities	828.63	1,429.21	1,553.38	3,620.26	6,334.19	3,127.67	6,554.33	35,293.92	14,418.24	1,290.48	719.14	75,169.45

Note: 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. Maturity profile of foreign currency assets and liabilities is excluding off-balance sheet items.

17 Provisions, contingent liabilities and contingent assets

Given below is the movement in provisions and a brief description of the nature of contingent liabilities recognised by the Bank.

(a) **Provision for credit card and debit card reward points**

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Opening provision for reward points	306.36	200.07
Provision for reward points made during the year	334.24	179.50
Utilisation / write-back of provision for reward points	(209.36)	(73.21)
Closing provision for reward points	431.24	306.36

(b) **Provision for legal and other contingencies**

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Opening provision	344.56	354.91
Movement during the year (net)	(32.66)	(10.35)
Closing provision	311.90	344.56

(c) **Provision pertaining to fraud accounts**

Particulars	March 31, 2017
No. of frauds reported during the year	2,319
Amount involved in fraud (₹ crore)	165.20
Amount involved in fraud net of recoveries / write-offs as at the end of the year (₹ crore)	20.83
Provisions held as at the end of the year (₹ crore)	20.83
Amount of unamortised provision debited from "other reserves" as at the end of the year (₹ crore)	-

(d) **Description of contingent liabilities**

Sr. No.	Contingent liability*	Brief description
1	Claims against the Bank not acknowledged as debts - taxation	The Bank is a party to various taxation matters in respect of which appeals are pending. The Bank expects the outcome of the appeals to be favorable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and the provisions of Income Tax Act, 1961.
2	Claims against the Bank not acknowledged as debts - others	The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
3	Liability on account of forward exchange and derivative contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants 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 one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange

Sr. No.	Contingent liability*	Brief description
		fixed and floating interest rate cash flows. The notional amounts of financial instruments such as foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the Balance Sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms.
4	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities, the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the Bank's customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
5	Other items for which the Bank is contingently liable	These include: a) Credit enhancements in respect of securitised-out loans; b) Bills rediscounted by the Bank; c) Capital commitments; d) Underwriting commitments; e) Investment purchases pending settlement; f) Amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF).

* *Also refer Schedule 12 - Contingent liabilities*

18 Business ratios / information

Particulars	March 31, 2017	March 31, 2016
Interest income as a percentage to working funds[1]	8.95%	9.25%
Net interest income as a percentage to working funds	4.28%	4.24%
Non-interest income as a percentage to working funds	1.59%	1.65%
Operating profit[2] as a percentage to working funds	3.32%	3.28%
Return on assets (average)	1.88%	1.89%
Business[3] per employee (₹ in crore)	12.36	11.39
Profit per employee[4] (₹ in crore)	0.16	0.15
Gross non-performing assets to gross advances[5]	1.05%	0.94%
Gross non-performing advances to gross advances	1.04%	0.92%
Percentage of net non-performing assets[6] to net advances[7]	0.33%	0.28%
Provision coverage ratio[8]	68.67%	69.94%

Definitions of certain items in Business ratios / information:

1. *Working funds is the daily average of total assets during the year.*

2. *Operating profit is net profit for the year before provisions and contingencies and profit/(loss) on sale of building and other assets(net).*

3. *"Business" is the total of average of net advances and deposits (net of inter-bank deposits).*

4. *Productivity ratios are based on average employee numbers.*

5. *Gross advances are net of bills rediscounted and interest in suspense.*

6. *Net NPAs are non-performing assets net of interest in suspense, specific provisions, ECGC claims received, provisions for funded interest term loans classified as NPAs and provisions in lieu of diminution in the fair value of restructured assets classified as NPAs.*

7. *Net advances are equivalent to gross advances net of specific loan loss provisions, ECGC claims received, provision for funded interest term loans classified as NPA and provisions in lieu of diminution in the fair value of restructured assets.*

8. *Provision coverage ratio does not include assets written off.*

19 Interest income

Interest income under the sub-head Income from Investments includes dividend received during the year ended March 31, 2017 on units of mutual funds, equity and preference shares amounting to ₹ 256.64 crore (previous year: ₹ 182.03 crore).

20 Earnings from standard assets securitised-out

There are no Special Purpose Vehicles (‘SPV’s) sponsored by the Bank for securitisation transactions. During the years ended March 31, 2017 and March 31, 2016, there were no standard assets securitised-out by the Bank.

Form and quantum of services and liquidity provided by way of credit enhancement

The Bank has provided credit and liquidity enhancements in the form of cash collaterals / guarantees / subordination of cash flows etc., to the senior Pass Through Certificates (‘PTC’s) as well as at loan assignment transactions. The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines. The total value of credit enhancement outstanding in the books as at March 31, 2017 was ₹ 224.31 crore (previous year: ₹ 225.65 crore) and outstanding servicing liability was ₹ 0.07 crore (previous year: ₹ 0.10 crore).

21 Other income

- **Commission, exchange and brokerage income**
  - ✓ Commission, exchange and brokerage income is net of correspondent bank charges.
  - ✓ Commission income for the year ended March 31, 2017 includes fees of ₹ 798.35 crore (previous year: ₹ 661.75 crore) in respect of life insurance business and ₹ 157.58 crore (previous year: ₹ 156.13 crore) in respect of general insurance business.
- **Miscellaneous income**

  Miscellaneous income includes recoveries from written-off accounts amounting to ₹ 864.31 crore (previous year: ₹ 807.99 crore).

22 Other expenditure

Other expenditure includes commission paid to sales agents amounting to ₹ 1,906.80 crore (previous year: ₹ 1,671.88 crore), exceeding 1% of the total income of the Bank.

23 Provisions and contingencies

The break-up of provisions and contingencies included in the Statement of Profit and Loss is given below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Provision for income tax		
- Current	7,916.97	6,507.59
- Deferred	(327.54)	(165.88)
Provision for NPAs	3,145.30	2,133.63
Provision for diminution in value of non-performing investments	(7.64)	15.17
Provision for standard assets	392.18	440.00
Other provisions and contingencies*	63.46	136.81
Total	**11,182.73**	**9,067.32**

* *Includes provisions for tax, legal and other contingencies ₹ 38.34 crore (previous year: ₹ 37.28 crore), floating provisions ₹ 25.00 crore (previous year: ₹ 115.00 crore), provisions / (write-back) for securitised-out assets ₹ 2.62 crore (previous year: ₹ (2.85) crore) and standard restructured assets ₹ (2.50) crore (previous year: ₹ (12.62) crore).*

24 Employee benefits

Gratuity

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	390.47	310.59
Interest cost	26.36	22.38
Current service cost	62.57	53.78
Benefits paid	(38.49)	(24.30)
Actuarial (gain) / loss on obligation:		
Experience adjustment	35.48	16.24
Assumption change	11.61	11.78
Present value of obligation as at March 31	**488.00**	**390.47**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	287.93	242.88
Expected return on plan assets	22.52	21.23
Contributions	47.95	61.81
Benefits paid	(38.49)	(24.30)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	32.44	(13.69)
Assumption change	3.22	-
Fair value of plan assets as at March 31	**355.57**	**287.93**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	355.57	287.93
Present value of obligation as at March 31	(488.00)	(390.47)
Asset / (liability) as at March 31	**(132.43)**	**(102.54)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	26.36	22.38
Current service cost	62.57	53.78
Expected return on plan assets	(22.52)	(21.23)
Net actuarial (gain) / loss recognised in the year	11.42	41.71
Net cost	**77.83**	**96.64**
Actual return on plan assets	58.18	7.54
Estimated contribution for the next year	73.21	47.95
Assumptions		
Discount rate	7.1% per annum	7.5% per annum
Expected return on plan assets	7.0% per annum	8.0% per annum
Salary escalation rate	8.0% per annum	8.0% per annum

Experience adjustment

(₹ crore)

Particulars	Years ended March 31,				
	2017	2016	2015	2014	2013
Plan assets	355.57	287.93	242.88	172.60	130.22
Defined benefit obligation	488.00	390.47	310.59	237.43	206.28
Surplus / (deficit)	(132.43)	(102.54)	(67.71)	(64.83)	(76.06)
Experience adjustment gain / (loss) on plan assets	32.44	(13.69)	21.35	1.87	2.00
Experience adjustment (gain) / loss on plan liabilities	35.48	16.24	4.59	5.87	2.72

Expected rate of return on investments is determined based on the assessment made by the Bank at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as at March 31, 2017 are given below:

Category of plan assets	% of fair value to total plan assets
	as at March 31, 2017
Government securities	28.0%
Debenture and bonds	27.0%
Equity shares	40.8%
Others	4.2%
Total	100.0%

Pension

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	70.88	57.45
Interest cost	4.80	3.92
Current service cost	1.23	1.12
Benefits paid	(6.62)	(10.18)
Actuarial (gain) / loss on obligation:		
Experience adjustment	4.65	17.35
Assumption change	(1.39)	1.22
Present value of obligation as at March 31	**73.55**	**70.88**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	38.38	41.91
Expected return on plan assets	2.61	3.21
Contributions	1.03	2.01
Benefits paid	(6.62)	(10.18)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	0.39	1.43
Assumption change	0.37	-
Fair value of plan assets as at March 31	**36.16**	**38.38**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	36.16	38.38
Present value of obligation as at March 31	(73.55)	(70.88)
Asset / (liability) as at March 31	**(37.39)**	**(32.50)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	4.80	3.92
Current service cost	1.23	1.12
Expected return on plan assets	(2.61)	(3.21)
Net actuarial (gain) / loss recognised in the year	2.50	17.14
Net cost	**5.92**	**18.97**
Actual return on plan assets	3.37	4.64
Estimated contribution for the next year	7.18	14.00
Assumptions		
Discount rate	7.1% per annum	7.5% per annum
Expected return on plan assets	7.0% per annum	8.0% per annum
Salary escalation rate	8.0% per annum	8.0% per annum

Experience adjustment

(₹ crore)

Particulars	Years ended March 31,				
	2017	2016	2015	2014	2013
Plan assets	36.16	38.38	41.91	47.99	48.88
Defined benefit obligation	73.55	70.88	57.45	58.89	58.19
Surplus / (deficit)	(37.39)	(32.50)	(15.54)	(10.90)	(9.31)
Experience adjustment gain / (loss) on plan assets	0.39	1.43	(2.38)	3.45	(1.58)
Experience adjustment (gain) / loss on plan liabilities	4.65	17.35	(0.19)	3.62	6.12

Expected rate of return on investments is determined based on the assessment made by the Bank at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as at March 31, 2017 are given below:

Category of plan assets	% of fair value to total plan assets as at March 31, 2017
Government securities	6.9%
Debenture and bonds	87.7%
Others	5.4%
Total	**100.0%**

Provident fund

The guidance note on AS-15, Employee Benefits, states that employer established provident funds, where interest is guaranteed are to be considered as defined benefit plans and the liability has to be valued. The Institute of Actuaries of India (IAI) has issued a guidance note on valuation of interest rate guarantees on exempt provident funds. The actuary has accordingly valued the same and the Bank held a provision of Nil as at March 31, 2017 (previous year: Nil), towards the present value of the guaranteed interest benefit obligation. The actuary has followed deterministic approach as prescribed by the guidance note.

Assumptions

Particulars	March 31, 2017	March 31, 2016
Discount rate (GOI security yield)	7.1% per annum	7.5% per annum
Expected guaranteed interest rate	8.7% per annum	9.0% per annum

The Bank does not have any unfunded defined benefit plan. The Bank contributed ₹ 216.86 crore (previous year: ₹ 189.00 crore) to the provident fund and ₹ 78.67 crore (previous year: ₹ 56.54 crore) to the superannuation plan.

Compensated absences

The actuarial liability of compensated absences of accumulated privileged and sick leaves of the employees of the Bank is given below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Privileged leave	237.24	222.07
Sick leave	52.95	47.40
Total actuarial liability	**290.19**	**269.47**
Assumptions		
Discount rate	7.1% per annum	7.5% per annum
Salary escalation rate	8.0% per annum	8.0% per annum

25 Disclosures on remuneration

Qualitative Disclosures

A. Information relating to the bodies that oversee remuneration

Name and composition

The Board of Directors of the Bank has constituted the Nomination and Remuneration Committee (hereinafter, the 'NRC') for overseeing and governing the compensation policies of the Bank. The NRC is comprised of four independent directors and is chaired by the Board of Directors of the Bank. Further, two members of the NRC are also members of the Risk Policy and Monitoring Committee (hereinafter, the 'RPMC') of the Board.

The NRC is comprised of the Chairperson, Mrs. Shyamala Gopinath, Mr. A N Roy, Mr. Partho Datta and Mr. Bobby Parikh. Further, Mrs. Shyamala Gopinath and Mr. Partho Dutta are also members of the RPMC. Mr. Bobby Parikh is the chairperson of the NRC.

Mandate of the NRC

The primary mandate of the NRC is to oversee the implementation of compensation policies of the Bank.

The NRC periodically reviews the overall compensation policy of the Bank with a view to attract, retain and motivate employees. In this capacity it is required to review and approve the design of the total compensation framework, including compensation strategy programs and plans, on behalf of the Board of Directors. The compensation structure and pay revision for Whole Time Directors is also approved by the NRC. The NRC co-ordinates with the RPMC to ensure that compensation is aligned with prudent risk taking.

External Consultants

The Bank employed the services of the following consulting firms in the area of compensation and benefits and human resources.

AON: The Bank employed the services of AON in the area of compensation market benchmarking, and executive compensation. AON, apart from being a globally reputed consulting firm, has the longest running year on year banking study in India and was found to be the most appropriate by the NRC.

Ernst and Young: The Bank employed the services of Ernst and Young to review the compensation policy of the Bank in light of the best in class practices in the banking industry.

Scope of the Bank's Remuneration Policy:

The Remuneration Policy of the Bank includes within its scope all business lines, all permanent staff in its domestic as well as international offices. Further the principles articulated in the compensation policy are universal, however in the event there are any statutory provisions in overseas locations the same shall take precedence over the remuneration policy of the Bank.

All permanent employees of the Bank except those covered under the long term wage agreement are covered by the said compensation policy. The number of employees covered under the compensation policy was 84,041as at March 31, 2017 (previous year: 87,263).

B. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy

I. Key Features and Objectives of Remuneration Policy

The Bank's Compensation Policy (the 'Policy') is aligned to business strategy, market dynamics, internal characteristics and complexities within the Bank. The ultimate objective of the Policy is to provide a fair and transparent structure that helps in acquiring and retaining the talent pool critical to build competitive advantage and brand equity. The Policy has been designed basis the principles for sound compensation practices in accordance with regulatory requirements and provides a framework to create, modify and maintain appropriate compensation programs and processes with adequate supervision and control.

The Bank's performance management system provides a sound basis for assessing employee performance holistically. The Bank's compensation framework is aligned with the performance management system and differentiates pay appropriately amongst its employees based on degree of contribution, skill and availability of talent owing to competitive market forces by taking into account factors such as role, skills, competencies, experience and grade / seniority.

The NRC reviews the following critical principles enunciated in the policy and ensures that:

(a) the compensation is adjusted for all types of prudent risk taking;

(b) compensation outcomes are symmetric with risk outcomes;

(c) compensation payouts are sensitive to the time horizon of risk; and

(d) the mix of cash, equity and other forms of compensation are aligned with risk.

II. Design and Structure of Remuneration

(a) Fixed Pay

The NRC ensures that the fixed component of the compensation is reasonable, taking into account all relevant factors including industry practice.

Elements of Fixed Pay

The fixed pay component of the Bank's compensation structure typically consists of elements such as base salary, allowances, perquisites, retirement and other employee benefits. Perquisites extended are in the nature of company car, hard furnishing, company leased accommodation, club membership and such other benefits or allowances in lieu of such perquisites / benefits. Retirement benefits include contributions to provident fund, superannuation fund (for certain job bands) and gratuity. The Whole Time Directors of the Bank are entitled to other post-retirement benefits such as car and medical facilities, in accordance with specified terms of employment as per the policy of the Bank, subject to RBI approval. The Bank also provides pension to certain employees of the erstwhile Lord Krishna Bank (eLKB) under the Indian Banks' Association ('IBA') structure.

Determinants of Fixed Pay

The fixed pay is primarily determined by taking into account factors such as the job size, performance, experience, location, market competitiveness of pay and is designed to meet the following key objectives of:

(a) fair compensation given the role complexity and size;

(b) fair compensation given the individual's skill, competence, experience and market pay position;

(c) sufficient contribution to post retirement benefits; and

(d) compliance with all statutory obligations.

For Whole Time Directors additional dimensions such as prominence of leadership among industry leaders, consistency of the Bank's performance over the years on key parameters such as profitability, growth and asset quality in relation to its own past performance and that of its peer banks would be considered. The quantum of fixed pay for Whole Time Directors is approved by the NRC as well as the Board and is subject to the approval of the RBI.

(b) Variable Pay

The performance management system forms the basis for variable pay allocation of the Bank. The Bank ensures that the performance management system is comprehensive and considers both, quantitative and qualitative performance measures.

Whole Time Directors

The bonus for Whole Time Directors will not exceed 70% of the fixed pay in a year, thereby ensuring that there is a balance between the fixed and variable pay. The variable pay for Whole Time Directors is approved by the NRC as well as the Board and is subject to the approval of the RBI. The variable pay component is paid out subject to the following conditions:

- Where the variable pay constitutes 50% or more of the fixed pay, a portion of the same would be deferred as per the schedule mentioned in the table below:

Portion of Variable Pay	Timelines
60%	Payable effective April 1 of the financial year immediately following the performance year.
13.33%	Payable effective April 1 of the second financial year following the reference performance year.
13.33%	Payable effective April 1 of the third financial year following the reference performance year.
13.33%	Payable effective April 1 of the fourth financial year following the reference performance year.

- The Bank has devised appropriate malus and claw back clauses as a risk mitigant for any negative contributions of the Bank and / or relevant line of business in any year. Under the malus clause the incumbent foregoes the vesting of the deferred variable pay in full or in part. Under the claw back clause the incumbent is obligated to return all the tranches of payout received of bonus amounts pertaining to the relevant performance year. The deferred bonus is paid out post review and approval by the NRC.

Employees other than Whole Time Directors

The Bank has formulated the following variable pay plans:

- Annual bonus plan

  The quantum of variable payout is a function of the performance of the Bank, performance of the business unit, performance of the individual employee, job band of the employee and the functional category. Basis these key determinants and due adjustment for risk alignment, a payout matrix for variable pay is developed. Market trends for specific businesses / functions along with inputs from compensation surveys may also be used in finalising the payout.

  Bonus pools are designed to meet specific business needs therefore resulting in differentiation in both the quantum and the method of payout across functions. Typically higher levels of responsibility receive a higher proportion of variable pay vis-à-vis fixed pay. The Bank ensures that the time horizon for risk is assessed and the deferment period, if any, for bonus is set accordingly. Employees on the annual bonus plan are not part of performance-linked plans. The following is taken into account while administering the annual bonus:

  ✓ In the event the proportion of variable pay to fixed pay is substantially high (variable pay exceeding 50% of fixed pay), the Bank may devise an appropriate deferment schedule after taking into consideration the nature of risk, time horizon of risk, and the materiality of risk.

  ✓ In cases of deferment of variable pay the Bank makes an assessment prior to the due date for payment of the deferred portion for any negative contribution. The criteria for negative contribution are decided basis pre-defined financial benchmarks. The Bank has in place appropriate methods for prevention of vesting of deferred variable pay or any part thereof, on account of negative contribution. The Bank also has in place claw back arrangements in relation to amounts already paid in the eventuality of a negative contribution.

- Performance-linked Plans (PLPs)

  PLPs are formulated for sales personnel who are given sales targets but have limited impact on risk since credit decisions are exercised independent of the sales function. All PLP payouts are based on a balanced scorecard framework and are subject to achievement of individual targets enumerated in the respective scorecards of the employees. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks.

Review of Remuneration Policy of the Bank during the past year:

The Compensation Policy of the Bank was reviewed by the NRC during the year and there were no material changes.

(c) Guaranteed Bonus

Guaranteed Bonuses may not be consistent with sound risk management or pay for performance principles of the Bank and therefore do not form an integral part of the general compensation practice.

For critical hiring for some select strategic roles, the Bank may consider granting of a sign-on bonus as a prudent way to avoid loading the entire cost of attraction into the fixed component of the compensation which could have a long term cost implication for the Bank. For such hiring, the sign-on bonus is generally decided by taking into account appropriate risk factors and market conditions.

For hiring at levels of Whole Time Directors / Managing Director a sign-on bonus, if any, is limited to the first year only and is in the form of Employee Stock Options.

(d) Employee Stock Option Plan ('ESOP's)

The Bank considers ESOPs as a vehicle to create a balance between short term rewards and long term sustainable value creation. ESOPs play a key role in the attraction and retention of key talent. The Bank grants equity share options to its Whole Time Directors and other employees above a certain grade. All plans for grant of options are framed in accordance with the SEBI guidelines, 1999 as amended from time to time and are approved by the shareholders of the Bank. These plans provide for the grant of options post approval by the NRC.

The grant of options is reviewed and approved by the NRC. The NRC grants options after considering parameters such as the incumbent's grade and performance rating, and such other appropriate relevant factors as may be deemed appropriate by the NRC. Equity share options granted to the Whole Time Directors are subject to the approval of the NRC, the Board and the RBI. With effect from April 1, 2017, the Bank has amended its policy for grant of ESOPs. Under this policy, ESOPs granted to eligible employees vest over three tranches spread over a period of 39 months vis-à-vis 36 months for the earlier grants. The first tranche will vest after fifteen months from the date of grant vis-à-vis twelve months for earlier grants. Vesting for all ESOPs granted subsequent to April 1, 2017 shall be based on the assessment of performance of the employee at the time of vesting.

(e) Severance Pay

The Bank does not grant severance pay other than accrued benefits (such as gratuity, pension) except in cases where it is mandated by any statute.

(f) Hedging

The Bank does not provide any facility or fund or permit its Whole Time Directors and employees to insure or hedge their compensation structure to offset the risk alignment effects embedded in their compensation arrangement.

(g) Statutory Bonus

Some section of employees are also paid statutory bonus as per the Payment of Bonus Act (1965) as amended from time to time.

III. Remuneration Processes

Fitment at the time of Hire

Pay scales of the Bank are set basis the job size, experience, location and the academic and professional credentials of the incumbent.

The compensation of new hires is in line with the existing pay ranges and consistent with the compensation levels of the existing employees of the Bank at similar profiles. The pay ranges are subject to change basis market trends and the Bank's talent management priorities. While the Bank believes in the internal equity and parity as a key determinant of pay it does acknowledge the external competitive pressures of the talent market. Accordingly, there could be certain key profiles with critical competencies which may be hired at a premium and treated as an exception to the overall pay philosophy. Any deviation from the defined pay ranges is treated as a hiring exception requiring approval with appropriate justification.

Increment / Pay Revision

It is the endeavor of the Bank to ensure external competitiveness as well as internal equity without diluting the overall focus on optimising cost. In order to enhance our external competitiveness the Bank participates in an annual salary survey of the banking sector to understand key market trends as well as get insights on relative market pay position compared to peers. The Bank endeavors to ensure that most employees progress to the median of the market in terms of fixed pay over time. This coupled with key internal data indicators like performance score, job family, experience, job grade and salary budget form the basis of decision making on revisions in fixed pay.

Increments in fixed pay for majority of the employee population are generally undertaken effective April 1 every year. However promotions, confirmations and change in job dimensions could also lead to a change in the fixed pay during other times of the year.

The Bank also makes salary corrections and adjustments during the year for those employees whose compensation is found to be below the market pay and who have a good performance track record. However such pay revisions are done on an exception basis.

Risk, Control and Compliance Staff

The Bank has separated the Risk, Control and Compliance functions from the Business functions in order to create a strong culture of checks and balances thereby ensuring good asset quality and to eliminate any possible conflict of interest between revenue generation and risk management and control. Accordingly, the overall variable pay as well as the annual salary increment of the employees in the Risk, Control and Compliance functions is based on their performance, functional objectives and goals. The Bank ensures that the mix of fixed to variable compensation for these functions is weighted in favour of fixed compensation.

C. Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks

The Bank takes into account various types of risks in its remuneration processes. The Bank follows a comprehensive framework that includes within its ambit the key dimensions of remuneration such as fixed pay, variable pay and long term incentives (i.e. Employee Stock Options).

Fixed pay: The Bank conducts a comprehensive market benchmarking study to ensure that employees are competitively positioned in terms of fixed pay. The Bank follows a robust salary review process wherein revisions in fixed compensation are based on performance. The Bank also makes salary adjustments taking into consideration pay positioning of employees vis-à-vis market reference points. Through this approach the Bank endeavors to ensure that the talent risk due to attrition is mitigated as much as possible. Fixed Pay could be revised downwards as well in the event of certain proven cases of misconduct by an employee.

Variable pay: The Bank has distinct types of variable pay plans as given below:

(a) Quarterly / monthly performance-linked pay (PLP) plans:

All quarterly/monthly PLP plans are based on the principle of balanced scorecard framework that includes within its ambit both quantitative and qualitative factors including key strategic objectives that ensure future competitive advantage for the Bank. PLP plans, by design, have deterrents that play a role of moderating payouts based on the non-fulfillment of established quantitative/qualitative risk factors. Deterrents also include risks arising out of non-compliance, mis-sell etc. Further, a portion of all payouts under the PLP plans is deferred till the end of the year to provide for any unforeseen performance risks.

(b) Annual bonus plan:

The Bank takes into consideration the fact that a portion of the Bank’s profits are directly attributable to various types of risks the Bank is exposed to such as credit risk, market risk, operational risk and other quantifiable risks.

The framework developed by the Bank in order to arrive at the quantum of bonus pool is based on the performance of the Bank and profitability. The annual bonus is distributed based on business unit and individual performance. The business unit performance is based on factors such as growth in revenue, growth in profit, cost to income ratio and achievement vis-à-vis plans and key objectives. Bonus pay out for an individual employee in a particular grade is linked to the performance rating of the employee and subject to meeting the Bank’s standards of ethical conduct.

The Bank has devised appropriate malus and claw back clauses as a risk mitigant for any negative contributions of the Bank and / or relevant line of business in any year for Whole Time Directors. Under the malus clause the incumbent foregoes the vesting of the deferred variable pay in full or in part. Under the claw back clause the incumbent is obligated to return all the tranches of payout received of bonus amounts pertaining to the reference performance year. The deferred bonus is paid out post review and approval by the NRC.

The bonus for Whole Time Directors is capped at 70% of the fixed pay in a year. The variable pay for Whole Time Directors is approved by the NRC as well as the Board of Directors of the Bank and is subject to the approval of the RBI.

The variable pay component is paid out subject to the following conditions:

Where the variable pay constitutes 50% or more of the fixed pay, a portion of the same would be deferred as per the schedule mentioned in the table below:

Portion of Variable Pay	Timelines
60%	Payable effective April 1 of the financial year immediately following the performance year.
13.33%	Payable effective April 1 of the second financial year following the reference performance year.
13.33%	Payable effective April 1 of the third financial year following the reference performance year.
13.33%	Payable effective April 1 of the fourth financial year following the reference performance year.

(c) Long term incentives (employee stock options):

The Bank also grants employee stock options to employees in certain job bands. The grant is based on performance rating of the individual.

D. Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration

The Bank has a very comprehensive multi-dimensional performance measurement metrics that takes into consideration multiple factors that include qualitative as well as quantitative factors. The following are the key performance measurement metrics for the Bank. These also form part of the key metrics for the measurement of the performance of Whole Time Directors and impact the final remuneration:

A. Business Growth - This includes growth in advances and deposits;

B. Profitability - This includes growth in profit after tax;

C. Asset Quality - Gross NPA, Net NPA and % of Restructured assets to net advances;

D. Financial Soundness - Capital Adequacy Ratio Position and Tier I capital;

E. Shareholder value creation - Return on equity; and

F. Financial Inclusion - Growth in number of households covered, growth in the value of loans disbursed under this category and achievement against priority sector lending targets.

Most of the above parameters are evaluated in two steps:

A. Achievement against the plans of the Bank; and

B. Achievement against the performance of peers.

Apart from the factors related to business growth there is also a key qualitative factor such as regulatory compliance. Compliance is the key qualitative factor that acts as the moderator in the entire organisation evaluation process. A low score on compliance can significantly moderate the other performance measures and depending on severity may even nullify their impact.

While the above parameters form the core evaluation parameters for the Bank each of the business units are measured on the following from a remuneration standpoint:

A. Increase in plan over the previous year;

B. Actual growth in revenue over previous year;

C. Growth in net revenue (%);

D. Achievement of net revenue against plan (%);

E. Actual profit before tax;

F. Growth in profit before tax compared to the previous year;

G. Current cost to income; and

H. Improvement in cost to income over the previous year.

Apart from the above the business units are also measured against certain key business objectives that are qualitative in nature.

The process by which levels of remuneration in the Bank are aligned to the performance of the Bank, business unit and individual employees is articulated below.

Fixed Pay

At the conclusion of every financial year the Bank reviews the fixed pay portion of the compensation structure basis merit-based increments and market corrections. These are based on a combination of performance rating, job band and the functional category of the individual employee. For a given job band, the merit increment is directly related to the performance rating. The Bank strives to ensure that most employees progress to the median of the market in terms of fixed pay over time. All other things remaining equal, the correction percentage is directly related to the performance rating of the individual.

Variable Pay

Basis the performance of the business unit, individual performance and role, the Bank has formulated the following variable pay plans:

- **Annual Bonus Plan**

  The Bank’s annual bonus is computed as a percentage of the gross salary for every job band. The bonus multiple is based on performance of the business unit (based on the parameters above), performance rating, job band and the functional category of the individual employee. The business performance level determines the multiplier for the bonus. All other things remaining equal, for a given job band, the bonus is directly related to the performance rating. The proportion of variable pay to fixed pay increases with job band. Employees on the annual bonus plan are not part of the PLPs.

- **Performance-linked Plans (PLPs)**

  The Bank has formulated PLPs for its sales personnel who are given sales targets basis a balanced scorecard methodology. All PLP payouts are subject to the achievement of individual targets enumerated in the respective scorecards of the employees and moderated by qualitative parameters. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks. All PLP plans are based on balanced scorecard framework.

E. Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance

A discussion of the Bank’s policy on deferral and vesting of variable remuneration and a discussion of the Bank’s policy and criteria for adjusting deferred remuneration before vesting and after vesting

Whole Time Directors

The bonus for Whole Time Directors does not exceed 70% of the fixed pay in a year, thereby ensuring that there is a balance between the fixed and variable pay. The variable pay for Whole Time Directors is approved by the NRC as well as the Board and is subject to the approval of the RBI. The variable pay component is paid out subject to the following conditions:

- Where the variable pay constitutes 50% or more of the fixed pay, an appropriate portion thereof is deferred and vests as per the schedule mentioned in the table below:

Portion of Variable Pay	Timelines
60%	Payable effective April 1 of the financial year immediately following the performance year.
13.33%	Payable effective April 1 of the second financial year following the reference performance year.
13.33%	Payable effective April 1 of the third financial year following the reference performance year.
13.33%	Payable effective April 1 of the fourth financial year following the reference performance year.

- The Bank has devised appropriate malus and claw back clauses as a risk mitigant for any negative contributions of the Bank and / or relevant line of business in any year.

  ✓ Malus clause

  Under the malus clause the incumbent foregoes the vesting of the deferred variable pay in full or in part. In the event there is a deterioration in specific performance criteria (such as criteria relating to profit or asset quality) that are laid down by the NRC, then the NRC would review the deterioration in the performance taking into consideration the macroeconomic environment as well as internal performance indicators and accordingly decide whether any part of the deferred tranche pertaining to that financial year merits a withdrawal. The deferred bonus is paid out post review and approval by the NRC.

  ✓ Claw back clause

  Under the claw back clause the incumbent is obligated to return all the tranches of payout received of bonus amounts pertaining to the relevant performance year. In the event there is any act attributable to the concerned Whole Time Director / Managing Director resulting in an incident of willful and deliberate misinterpretation / misreporting of financial performance (inflating the financials) of the Bank, for a financial year, which comes to light in the subsequent three years, the incumbent is obligated to return all the tranches of bonus payout received pertaining to the relevant performance year.

  The specific criteria on the applicability of malus and claw back arrangements are reviewed by the NRC annually.

Employees other than Whole Time Directors

The Bank has formulated the following variable pay plans:

- **Annual bonus plan**

  The quantum of variable payout is a function of the performance of the Bank, performance of the individual employee, job band of the employee and the functional category. Basis these key determinants and due adjustment for risk alignment, a payout matrix for variable pay is developed. Market trends for specific businesses / functions along with inputs from compensation surveys may also be used in finalising the payout.

  Bonus pools are designed to meet specific business needs therefore resulting in differentiation in both the quantum and the method of payout across functions. Typically higher levels of responsibility receive a higher proportion of variable pay vis-à-vis fixed pay. The Bank ensures that the time horizon for risk is assessed and the deferment period, if any, for bonus is set accordingly. Employees on the annual bonus plan are not part of the PLPs.

  The following is taken into account while administering the annual bonus:

  ✓ In the event the proportion of variable pay to fixed pay is substantially high (typically variable pay exceeding 50% of fixed pay), the Bank may devise an appropriate deferment schedule after taking into consideration the nature of risk, time horizon of risk, and the materiality of risk.

  ✓ In cases of deferment of variable pay the Bank makes an assessment prior to the due date for payment of the deferred portion for any negative contribution. The criteria for negative contribution are decided basis pre-defined financial benchmarks. The Bank has in place appropriate methods for prevention of vesting of deferred variable pay or any part thereof, on account of negative contribution. The Bank also has in place claw back arrangements in relation to amounts already paid in the eventuality of a negative contribution.

- **Performance-linked Plans (PLPs)**

  PLPs are formulated for sales personnel who are given sales targets but have limited impact on risk since credit decisions are exercised independent of the sales function. All PLP payouts are subject to the achievement of individual targets enumerated in the respective scorecards of the employees. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks.

F. Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the Bank utilises and the rationale for using these different forms

The Bank recognises the importance of variable pay in reinforcing a pay for performance culture. Variable pay stimulates employees to stretch their abilities to exceed expectations.

- **Annual bonus plan**

  These are paid to reward performance for a given financial year. This covers all employees and excludes employees receiving PLP payouts. This is based on performance of the business unit, performance rating, job band and functional category of the individual. For higher job bands the proportion of variable pay to total compensation tends to be higher.

- **Performance-linked Plans (PLPs)**

  These are paid to frontline sales staff for the achievement of specific sales targets but have limited impact on risk as credit decisions are exercised independent of the sales function. Further, it has been the endeavor of the Bank to ensure that the objectives set are based on the principles of a balanced scorecard that takes into account quantitative and qualitative measures rather than just the achievement of financial numbers. Further all PLPs have inherent risk adjustment mechanisms manifested in the form of deterrents. All PLP payouts are subject to the achievement of parameters, both qualitative and quantitative enumerated in the respective scorecards of the employees. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks.

- **Employee stock option plan**

  This is to reward for contribution of employees in creating a long term, sustainable earnings and enhancing shareholder value. Only employees in a certain job band and with a specific performance rating are eligible for stock options. Performance is the key criteria for granting stock options.

Quantitative disclosures

The quantitative disclosures cover the Bank's Whole Time Directors and Key Risk Takers. Key Risk Takers are individuals who can materially set, commit or control significant amounts of the Bank's resources, and / or exert significant influence over its risk profile. The Bank's Key Risk Takers include Whole Time Directors, Group Heads, Business Heads directly reporting to the Managing Director and select roles in the Bank's Treasury and Investment Banking functions.

Sr. No.	Subject	March 31, 2017	March 31, 2016
(a)	Number of meetings held by the NRC during the financial year and remuneration paid to its members	Number of meetings: 10 Remuneration paid: ₹ 0.20 crore	Number of meetings: 9 Remuneration paid: ₹ 0.17 crore
(b) (i)	Number of employees having received a variable remuneration award during the financial year	33 employees	30 employees
(b) (ii)	Number and total amount of sign-on awards made during the financial year	None	None
(b) (iii)	Number and total amount of guaranteed bonuses awarded during the financial year	None	None
(b) (iv)	Details of severance pay, in addition to accrued benefits, if any	None	None
(c) (i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 4.62 crore.	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 3.13 crore.
(c) (ii)	Total amount of deferred remuneration paid out in the financial year	₹ 1.45 crore	₹ 1.20 crore
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	₹ 54.75 crore (Fixed*) ₹ 12.90 crore (variable pay pertaining to financial year ended March 31, 2016, in relation to employees	₹ 46.04 crore (Fixed*) ₹ 9.75 crore (variable pay pertaining to financial year ended March 31, 2015, in relation to employees where there was no

Sr. No.	Subject	March 31, 2017	March 31, 2016
		where there was no deferment of pay). ₹ 7.34 crore (variable pay pertaining to financial year ended March 31, 2016, in relation to employees where there was a deferment of pay), of which ₹ 4.41 crore was non-deferred variable pay and ₹ 2.93 crore was deferred variable pay. Number of stock options granted during the financial year: Nil	deferment of pay). ₹ 6.32 crore (variable pay pertaining to financial year ended March 31, 2015, in relation to employees where there was a deferment of pay), of which ₹ 3.79 crore was non-deferred variable pay and ₹ 2.53 crore was deferred variable pay. Number of stock options granted during the financial year: 40,86,600
(e) (i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 4.62 crore.	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 3.13 crore.
(e) (ii)	Total amount of reductions during the financial year due to ex-post explicit adjustments	Nil	Nil
(e) (iii)	Total amount of reductions during the financial year due to ex-post implicit adjustments	Nil	Nil

* *Excludes gratuity benefits, since the same is computed at Bank level.*

26 Segment reporting

Business segments

Business segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by RBI. The Bank operates in the following segments:

(a) Treasury

The treasury segment primarily consists of net interest earnings from the Bank's investment portfolio, money market borrowing and lending, gains or losses on investment operations and on account of trading in foreign exchange and derivative contracts.

(b) Retail banking

The retail banking segment serves retail customers through a branch network and other delivery channels. This segment raises deposits from customers and provides loans and other services to customers with the help of specialist product groups. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof.

Revenues of the retail banking segment are derived from interest earned on retail loans, interest earned from other segments for surplus funds placed with those segments, subvention received from dealers and manufacturers, fees from services rendered, foreign exchange earnings on retail products etc. Expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.

(c) Wholesale banking

The wholesale banking segment provides loans, non-fund facilities and transaction services to large corporates, emerging corporates, public sector units, government bodies, financial institutions and medium scale enterprises. Revenues of the wholesale banking segment consist of interest earned on loans made to customers, interest / fees earned on the cash float arising from transaction services, earnings from trade services and other non-fund facilities and also earnings from foreign exchange and derivative transactions on behalf of customers. 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 of delivery channels, specialist product groups, processing units and support groups.

(d) Other banking business

This segment includes income from para banking activities such as credit cards, debit cards, third party product distribution, primary dealership business and the associated costs.

(e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes capital and reserves, debt classified as Tier I or Tier II capital and other unallocable assets and liabilities such as deferred tax, prepaid expenses, etc.

Segment revenue includes earnings from external customers plus earnings from funds transferred to other segments. Segment result includes revenue less interest expense less operating expense and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Interest income is charged by a segment that provides funding to another segment, based on yields benchmarked to an internally approved yield curve or at a certain agreed transfer price rate. Transaction charges are levied by the retail banking segment to the wholesale banking segment for the use by its customers of the retail banking segment's branch network or other delivery channels. Such transaction costs are determined on a cost plus basis. Segment capital employed represents the net assets in that segment.

Geographic segments

The geographic segments of the Bank are categorised as domestic operations and foreign operations. Domestic operations comprise branches in India and foreign operations comprise branches outside India.

Segment reporting for the year ended March 31, 2017 is given below:

Business segments: (₹ crore)

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	21,581.79	66,147.50	31,332.24	9,046.69	128,108.22
2	Unallocated revenue					-
3	Less: Inter-segment revenue					46,505.77
4	Income from operations (1) + (2) - (3)					81,602.45
5	Segment results	1,308.38	8,432.16	10,473.77	3,365.33	23,579.64
6	Unallocated expenses					1,440.55
7	Income tax expense (including deferred tax)					7,589.43
8	Net profit (5) - (6) - (7)					14,549.66
9	Segment assets	264,536.14	295,828.92	270,969.09	27,205.88	858,540.03
10	Unallocated assets					5,300.18
11	Total assets (9) + (10)					863,840.21
12	Segment liabilities	73,857.49	525,792.90	156,129.90	3,142.74	758,923.03
13	Unallocated liabilities					15,454.80
14	Total liabilities (12) + (13)					774,377.83
15	Capital employed (9) - (12)	190,678.65	(229,963.98)	114,839.19	24,063.14	99,617.00
	(Segment assets -					

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
	Segment liabilities)					
16	Unallocated (10) - (13)					(10,154.62)
17	Total (15) + (16)					89,462.38
18	Capital expenditure	32.85	846.56	150.30	97.69	1,127.40
19	Depreciation	10.15	659.66	90.78	72.53	833.12

Geographic segments: (₹ crore)

Particulars	Domestic	International
Revenue	80,578.80	1,023.65
Assets	839,928.73	23,911.48
Capital expenditure	1,125.94	1.46

Segment reporting for the year ended March 31, 2016 is given below:

Business segments: (₹ crore)

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	18,264.88	59,252.34	27,162.39	7,554.42	112,234.03
2	Unallocated revenue					-
3	Less: Inter-segment revenue					41,260.86
4	Income from operations (1) + (2) - (3)					70,973.17
5	Segment results	1,489.21	7,855.03	7,887.20	2,832.27	20,063.71
6	Unallocated expenses					1,425.77
7	Income tax expense (including deferred tax)					6,341.71
8	Net profit (5) - (6) - (7)					12,296.23
9	Segment assets	235,331.98	252,690.65	226,242.65	21,633.06	735,898.34
10	Unallocated assets					4,897.74
11	Total assets (9) + (10)					740,796.08
12	Segment liabilities	77,340.38	448,313.40	120,425.52	2,476.31	648,555.61
13	Unallocated liabilities					19,562.70
14	Total liabilities (12) + (13)					668,118.31
15	Capital employed (9) - (12)	157,991.60	(195,622.75)	105,817.13	19,156.75	87,342.73
	(Segment assets - Segment liabilities)					
16	Unallocated (10) - (13)					(14,664.96)
17	Total (15) + (16)					72,677.77
18	Capital expenditure	5.09	729.46	134.59	69.70	938.84
19	Depreciation	6.16	540.47	101.67	57.54	705.84

Geographic segments: (₹ crore)

Particulars	Domestic	International
Revenue	69,816.77	1,156.40
Assets	704,839.20	35,956.88
Capital expenditure	937.95	0.89

27 Liquidity coverage ratio

Quantitative information on Liquidity Coverage Ratio (LCR) for year ended March 31, 2017 is given below:

(₹ crore)

	Particulars	Quarter ended March 31, 2017		Quarter ended December 31, 2016		Quarter ended September 30, 2016		Quarter ended June 30, 2016	
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		**137,711.74**		**149,957.35**		**128,702.05**		**109,539.23**
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	**417,330.77**	**38,198.75**	**415,071.84**	**37,863.08**	**373,552.53**	**34,159.65**	**359,804.34**	**32,862.93**
(i)	*Stable deposits*	70,686.63	3,534.33	72,882.13	3,644.11	63,912.08	3,195.60	62,350.08	3,117.50
(ii)	*Less stable deposits*	346,644.14	34,664.42	342,189.71	34,218.97	309,640.45	30,964.05	297,454.26	29,745.43
3	Unsecured wholesale funding, of which:	**184,624.84**	**91,871.70**	**184,555.12**	**93,303.55**	**173,841.76**	**87,591.52**	**157,036.26**	**80,630.67**
(i)	*Operational deposits (all counterparties)*	27,567.30	6,814.73	26,530.40	6,556.63	24,314.59	6,008.20	21,290.21	5,262.08
(ii)	*Non-operational deposits (all counterparties)*	147,686.64	75,686.06	148,806.54	77,528.74	142,196.70	74,252.85	130,159.94	69,782.48
(iii)	*Unsecured debt*	9,370.90	9,370.91	9,218.18	9,218.18	7,330.47	7,330.47	5,586.11	5,586.11
4	Secured wholesale funding		161.11		-		2,150		-
5	Additional requirements, of which	**85,739.97**	**54,644.47**	**94,703.09**	**61,891.19**	**90,930.14**	**57,181.27**	**93,163.68**	**57,797.70**
(i)	*Outflows related to derivative exposures and other collateral requirement*	44,943.06	44,943.06	51,903.36	51,903.36	47,316.91	47,316.91	46,907.18	46,907.18
(ii)	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-

Particulars		Quarter ended March 31, 2017		Quarter ended December 31, 2016		Quarter ended September 30, 2016		Quarter ended June 30, 2016	
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*
(iii)	*Credit and liquidity facilities*	40,796.91	9,701.41	42,799.73	9,987.83	43,613.23	9,864.36	46,256.50	10,890.52
6	Other contractual funding obligation	24,420.02	24,420.02	20,914.62	20,914.62	17,944.34	17,944.34	15,940.48	15,940.48
7	Other contingent funding obligations	52,591.16	2,596.66	50,409.16	1,512.27	49,183.26	1,475.50	47,915.37	1,437.46
8	**Total Cash Outflows**		**211,892.71**		**215,484.71**		**200,502.28**		**188,669.24**
Cash Inflows									
9	Secured lending (e.g. reverse repo)	-	-	1,333.33	-	5,033.33	-	1,355.17	3.28
10	Inflows from fully performing exposures	39,276.52	21,397.60	36,889.88	19,466.20	35,305.32	18,815.99	33,897.47	18,070.68
11	Other cash inflows	58,695.96	53,161.71	65,066.62	59,505.52	66,471.65	61,083.74	62,858.78	57,290.61
12	**Total Cash Inflows**	**97,972.48**	**74,559.31**	**103,289.83**	**78,971.72**	**106,810.30**	**79,899.73**	**98,111.42**	**75,364.57**
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
13	**TOTAL HQLA**		**137,711.74**		**149,957.35**		**128,702.05**		**109,539.23**
14	**Total Net Cash Outflows**		**137,334.40**		**136,512.99**		**120,602.55**		**113,304.67**
15	**Liquidity Coverage Ratio(%)**		**100.28%**		**109.85%**		**106.72%**		**96.68%**

* *In accordance with RBI guidelines, average weighted and unweighted amounts are calculated taking simple daily average for the quarter ended March 31, 2017 and simple average for the months in respective previous quarters in the financial year ended March 31, 2017.*

Qualitative disclosure on LCR

The Liquidity Coverage Ratio (LCR) is a global minimum standard for bank liquidity. It aims to ensure that a bank has an adequate stock of unencumbered High Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs for a 30 calendar day liquidity stress scenario.

The LCR is calculated by dividing the amount of High Quality Liquid unencumbered Assets (HQLA) by the estimated net outflows over a stressed 30 calendar day period. The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivative-related exposures, partially offset by inflows from assets maturing within 30 days. The average LCR for the quarter ended March 31, 2017 was at 100.28%, above the RBI prescribed minimum requirement of 80%.. The average HQLA was ₹ 137,711.74 crore of which government securities constituted about 75%. The outflows related to derivative exposures (net of cash inflows) / collateral requirements and undrawn commitments constituted about 0.3% and 5% respectively of average cash outflow of ₹ 211,892.70 crore. Average inflows from assets were ₹ 74,559.31 crore.

Schedules to the Financial Statements for the year ended March 31, 2017

Average LCR compared to previous quarter ended December 31, 2016 has remained relatively stable with a slight decrease in the average HQLA position mainly on account of decrease in unencumbered SLR securities.

Average LCR has been continuously increasing compared to that in the previous year ended March 31, 2016 primarily driven by increase in the average HQLA position on account of increase in liquid investments as well as additional FALLCR (1% of NDTL) permitted by RBI to be considered as HQLA from July 2016.

A strong and diversified liabilities profile has been at the helm on Bank's growth strategy. The Bank has consistently maintained a robust funding profile with a significant portion of funding through deposits. As at March 31, 2017 the top 20 depositors comprised around 5% of total deposits.

Quantitative information on Liquidity coverage ratio (LCR) the year ended March 31, 2016 is given below:

(₹ crore)

	Particulars	Quarter ended March 31, 2016		Quarter ended December 31, 2015		Quarter ended September 30, 2015		Quarter ended June 30, 2015	
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		**87,390.70**		**82,923.58**		**85,380.05**		**84,103.02**
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	**345,295.41**	**31,521.71**	**336,581.15**	**30,736.15**	**327,063.80**	**29,851.26**	**303,371.26**	**27,605.03**
(i)	*Stable deposits*	60,156.65	3,007.83	58,439.26	2,921.96	57,102.27	2,855.11	54,641.85	2,732.09
(ii)	*Less stable deposits*	285,138.76	28,513.88	278,141.89	27,814.19	269,961.53	26,996.15	248,729.41	24,872.94
3	Unsecured wholesale funding, of which:	**152,346.46**	**77,310.79**	**150,761.23**	**78,144.79**	**143,971.45**	**76,153.26**	**132,334.88**	**67,639.08**
(i)	*Operational deposits (all counterparties)*	25,513.50	6,310.16	21,315.02	5,260.88	20,460.39	5,067.45	21,646.72	5,345.21
(ii)	*Non-operational deposits (all counterparties)*	120,422.61	64,590.28	120,973.12	64,410.82	117,518.89	65,093.64	105,628.67	57,234.38
(iii)	*Unsecured debt*	6,410.35	6,410.35	8,473.09	8,473.09	5,992.17	5,992.17	5,059.49	5,059.49
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which	**97,373.97**	**61,003.46**	**104,680.45**	**57,231.91**	**167,835.96**	**111,671.11**	**185,435.72**	**129,455.26**
(i)	*Outflows related to derivative exposures*	49,752.81	49,752.81	46,028.74	46,028.74	101,182.99	101,182.99	118,889.35	118,889.35

Particulars		Quarter ended March 31, 2016		Quarter ended December 31, 2015		Quarter ended September 30, 2015		Quarter ended June 30, 2015	
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*
	and other collateral requirement								
(ii)	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
(iii)	*Credit and liquidity facilities*	47,621.16	11,250.65	58,651.71	11,203.17	66,652.97	10,488.12	66,546.37	10,565.91
6	Other contractual funding obligation	14,349.84	14,349.84	12,831.35	12,831.35	13,763.63	13,763.63	14,798.60	14,798.60
7	Other contingent funding obligations	46,936.27	1,724.24	45,128.25	2,256.41	42,615.71	2,130.79	43,401.88	2,170.09
8	**Total Cash Outflows**		**185,910.04**		**181,200.61**		**233,570.05**		**241,668.06**
Cash Inflows									
9	Secured lending (e.g. reverse repo)	166.67	-	39.05	5.86	5,333.33	-	3,212.00	-
10	Inflows from fully performing exposures	32,497.40	17,346.90	29,098.80	15,554.48	28,536.42	15,502.29	25,435.62	13,600.86
11	Other cash inflows	65,636.78	60,149.17	58,287.62	52,863.62	116,296.73	110,836.09	134,027.18	129,022.10
12	**Total Cash Inflows**	**98,300.85**	**77,496.07**	**87,425.47**	**68,423.96**	**150,166.48**	**126,338.38**	**162,674.80**	**142,622.96**
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
13	**TOTAL HQLA**		**87,390.70**		**82,923.58**		**85,380.05**		**84,103.02**
14	**Total Net Cash Outflows**		**108,413.96**		**112,776.65**		**107,231.67**		**99,045.10**
15	**Liquidity Coverage Ratio(%)**		**80.61%**		**73.53%**		**79.62%**		**84.91%**

* *The average weighted and unweighted amounts are calculated taking simple average for the months in the respective quarters.*

Qualitative disclosure on LCR

The Liquidity Coverage Ratio (LCR) is a global minimum standard for bank liquidity. It aims to ensure that a bank has an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs for a 30 calendar day liquidity stress scenario.

The LCR is calculated by dividing the amount of high quality liquid unencumbered assets (HQLA) by the estimated net outflows over a stressed 30 calendar day period. The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivative-related exposures, partially offset by inflows from assets maturing within 30 days. The average LCR was at 80.61% for the quarter ended March 31, 2016. The average HQLA was ₹ 87,390.70 crore of which government securities constituted about 73%. The outflows related to derivative exposures (net of cash inflows) / collateral requirements and undrawn commitments constituted about 2% and 6% respectively of average cash outflow of ₹ 185,910.04 crore. Average inflows from assets were ₹ 77,496.07 crore.

Average LCR for the quarter ended March 31, 2016 was 80.61%, which was above the RBI prescribed minimum requirement of 70%.

Major reasons for movement in average LCR as compared to the previous quarter ended December 31, 2015 are as follows:

- HQLA for the quarter ended March 31, 2016 increased as additional FALLCR (3% of NDTL) was permitted by RBI to be considered as HQLA from February 2016.
- Within the unsecured wholesale funding, the proportion of unsecured debt which attracts higher outflow factors decreased.
- Within the retail deposits, the proportion of less stable funding which attract higher outflow factors increased.
- Inflows from performing advances increased.
- Other cash inflows increased mainly on account of increase in inflows from short term lending.

A strong and diversified liabilities profile has been at the helm on Bank's growth strategy. The Bank has consistently maintained a robust funding profile with a significant portion of funding through deposits. As at March 31, 2016 the top 20 depositors comprised around 5% of total deposits.

Note:

1. CCIL guaranteed deals were netted for computing FX & Derivatives numbers with effect from quarter ended December 31, 2015. Hence, the numbers for serial number 5(i) and 11 are not strictly comparable with those of the previous quarters.

28 Related party disclosures

As per AS-18, Related Party Disclosure, the Bank's related parties are disclosed below:

Promoter

Housing Development Finance Corporation Limited

Subsidiaries

HDFC Securities Limited

HDB Financial Services Limited

Associates

International Asset Reconstruction Company Private Limited

Atlas Documentary Facilitators Company Private Limited*

HBL Global Private Limited*

**Atlas Documentary Facilitators Company Private Limited and HBL Global Private Limited amalgamated with HDB Financial Services Limited pursuant to the approval of the Honourable High courts of Gujarat and Bombay with effect* *from December 1, 2016. The appointed date of the merger as per the scheme of amalgamation was April 1, 2014. Accordingly, transactions entered into by the Bank with these entities during the financial year ended March 31, 2017 have been disclosed under transactions with HDB Financial Services Limited.*

Welfare trust of the Bank

HDB Employees Welfare Trust

Key management personnel

Aditya Puri, Managing Director

Paresh Sukthankar, Deputy Managing Director

Kaizad Bharucha, Executive Director

Related parties to key management personnel

Salisbury Investments Private Limited, Tanaksh Innovations Private Limited, Akuri by Puri, Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad, Havovi Bharucha, Huzaan Bharucha, Danesh Bharucha, Daraius Bharucha.

In accordance with paragraph 5 of AS - 18, the Bank has not disclosed certain transactions with relatives of key management personnel as they are in the nature of banker-customer relationship.

The significant transactions between the Bank and related parties for the year ended March 31, 2017 are given below. A specific related party transaction is disclosed as a significant transaction wherever it exceeds 10% of all related party transactions in that category:

- Interest paid: HDFC Securities Limited ₹ 25.03 crore (previous year: ₹ 18.96 crore); HDB Financial Services Limited ₹ 7.17 crore (previous year: ₹ 4.52 crore); Housing Development Finance Corporation Limited ₹ 5.57 crore (previous year: ₹ 7.25 crore).
- Interest received: HDB Financial Services Limited ₹ 139.21 crore (previous year: ₹ 100.06 crore).
- Rendering of services: Housing Development Finance Corporation Limited ₹ 207.45 crore (previous year: ₹ 178.83 crore);
- Receiving of services: HDB Financial Services Limited ₹ 1,453.54 crore (previous year 79.87 crore): Housing Development Finance Corporation Limited ₹ 343.10 crore (previous year: ₹ 247.21 crore).
- Dividend paid: Housing Development Finance Corporation Limited ₹ 373.55 crore (previous year: ₹ 314.57 crore).
- Dividend received: HDB Financial Services Limited ₹ 102.22 crore (previous year: ₹ 88.40 crore); HDFC Securities Limited ₹ 60.64 crore (previous year: ₹ 60.64 crore).
- Purchase of fixed assets: HDB Financial Services Limited ₹ 0.23 crore (previous year: Nil).

The Bank's related party balances and transactions for the year ended March 31, 2017 are summarised as follows:

(₹ crore)

Items / Related party	Promoter	Subsidiaries	Associate	Key management personnel	Total
Deposits taken	2,500.25	597.93	25.05	13.61	3,136.84
	(2,500.25)	(816.14)	(25.05)	(60.14)	(3,401.58)
Deposits placed	0.15	10.62	-	2.51	13.28
	(0.15)	(10.65)	-	(2.51)	(13.31)
Advances given	-	1,180.15	0.05	3.44	1,183.64
	-	(1,588.18)	(0.05)	(3.44)	(1,591.67)
Fixed assets purchased from	-	0.23	-	-	0.23
Fixed assets sold to	-	-	-	-	-
Interest paid to	5.57	32.20	0.51	1.02	39.30
Interest received from	-	139.21	-	0.03	139.24

Schedules to the Financial Statements for the year ended March 31, 2017

Items / Related party	Promoter	Subsidiaries	Associate	Key management personnel	Total
Income from services rendered to	207.45	28.37	-	-	235.82
Expenses for receiving services from	343.10	1,456.69	-	0.76	1,800.55
Equity investments	-	3,812.15	31.17	-	3,843.32
	-	(3,812.15)	(31.17)	-	(3,843.32)
Other investments	-	675.00	-	-	675.00
	(126.48)	(675.00)	-	-	(801.48)
Dividend paid to	373.55	-	-	4.49	378.04
Dividend received from	-	162.86	-	-	162.86
Receivable from	23.16	2.05	-	-	25.21
	(23.16)	(2.38)	-	-	(25.54)
Payable to	33.67	103.25	-	-	136.92
	(33.67)	(137.18)	-	-	(170.85)
Guarantees given	0.12	-	-	-	0.12
	(0.14)	(0.05)	-	-	(0.19)
Remuneration paid	-	-	-	20.79	20.79
Loans purchased from	13,845.65	-	-	-	13,845.65

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.
Remuneration paid excludes value of employee stock options exercised during the year.

The Bank being an authorised dealer, deals in foreign exchange and derivative transactions with parties which include its promoter. The foreign exchange and derivative transactions are undertaken in line with the RBI guidelines. The notional principal amount of foreign exchange and derivative contracts transacted with the promoter that were outstanding as at March 31, 2017 is ₹ 665.77 crore (previous year: ₹ 491.21 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is ₹ 40.18 crore (previous year: ₹ 18.90 crore).

During the year ended March 31, 2017, the Bank purchased debt securities from Housing Development Finance Corporation Limited ₹ 2,320.00 crore (previous year: ₹ 1,415.00 crore) and from HDB Financial Services Limited ₹ 1,427.00 crore (previous year: ₹ 322.00 crore) issued by these entities.

During the year ended March 31, 2017, the Bank has made no investment (previous year: ₹ 1,748.66 crore) in pass through certificates in respect of assets securitised out by HDB Financial Services Limited.

During the year ended March 31, 2017, the Bank paid rent of ₹ 0.66 crore (previous year: ₹ 0.66 crore) to parties related to the Bank's key management personnel in relation to residential accommodation. As at March 31, 2017, the security deposit outstanding was ₹ 3.50 crore (previous year: ₹ 3.50 crore).

The deposit outstanding from HDB Employees Welfare Trust as at March 31, 2017 was ₹ 48.52 crore (previous year: ₹ 46.46 crore). The Bank also paid interest on deposit from HDB Employees Welfare Trust aggregating to ₹ 3.68 crore (previous year: ₹ 3.88 crore).

The Bank's related party balances and transactions for the year ended March 31, 2016 are summarised as follows:

(₹ crore)

Items / Related party	Promoter	Subsidiaries	Associates	Key management personnel	Total
Deposits taken	4,405.56	509.86	100.02	10.12	5,025.56
	(4,405.56)	(811.10)	(100.02)	(11.50)	(5,328.18)
Deposits placed	0.15	10.51	0.10	2.51	13.27
	(0.15)	(10.51)	(7.10)	(2.51)	(20.27)
Advances given	-	1,590.12	0.22	0.95	1,591.29
	-	(1,590.12)	(36.95)	(0.99)	(1,628.06)
Fixed assets purchased from	-	0.12	-	-	0.12
Fixed assets sold to	-	-	-	-	-
Interest paid to	7.25	23.48	3.89	0.84	35.46
Interest received from	-	100.06	2.27	0.02	102.35
Income from services rendered to	178.83	24.12	6.07	-	209.02
Expenses for receiving services from	247.21	81.77	1,173.64	0.76	1,503.38

Items / Related party	Promoter	Subsidiaries	Associates	Key management personnel	Total
Equity investments	-	2,751.77	31.19	-	2,782.96
	-	(2,751.77)	(31.19)	-	(2,782.96)
Dividend paid to	314.57	-	-	3.37	317.94
Dividend received from	-	149.04	0.01	-	149.05
Receivable from	16.30	0.08	-	-	16.38
	(28.42)	(1.81)	(0.38)	-	(30.61)
Payable to	26.93	21.57	39.85	-	88.35
	(26.93)	(25.65)	(102.70)	-	(155.28)
Guarantees given	0.14	0.05	-	-	0.19
	(0.14)	(0.05)	-	-	(0.19)
Remuneration paid	-	-	-	18.34	18.34
Loans purchased from	12,773.37	-	-	-	12,773.37

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Remuneration paid excludes value of employee stock options exercised during the year.

29 Intra-Group exposure

Intra-Group exposures in accordance with RBI guidelines are as follows:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Total amount of intra-group exposures	4,502.47	2,413.58
Total amount of top 20 intra-group exposures	4,502.47	2,413.58
Percentage of intra-group exposures to total exposure of the Bank on borrowers / customers	0.48%	0.33%
Details of breach of limits on intra-group exposures and regulatory action thereon, if any	Nil	Nil

30 Leases

Operating leases primarily comprise office premises, staff residences and Automated Teller Machines ('ATM's), which are renewable at the option of the Bank. The details of maturity profile of future operating lease payments are given below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Not later than one year	939.53	887.30
Later than one year and not later than five years	2,980.22	2,805.03
Later than five years	3,043.98	2,481.82
Total	**6,963.73**	**6,174.15**
The total of minimum lease payments recognised in the Statement of Profit and Loss for the year	1,094.86	1,005.70
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	25.33	37.13
Sub-lease amounts recognised in the Statement of Profit and Loss for the year	11.31	10.67
Contingent (usage based) lease payments recognised in the Statement of Profit and Loss for the year	138.79	180.53

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

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

31 Transfers to Depositor Education and Awareness Fund (DEAF)

The details of amount transferred during the respective year to DEAF are as under:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Opening balance of amounts transferred to DEAF	136.85	92.14
Add : Amounts transferred to DEAF during the year	95.10	45.89
Less : Amounts reimbursed by DEAF towards claims	(1.45)	(1.18)
Closing balance of amounts transferred to DEAF	230.50	136.85

32 Penalties levied by the RBI

Further to the media reports in October 2015 about irregularities in advance import remittances in various banks, the Reserve Bank of India (RBI) had conducted a scrutiny of the transactions carried out by the bank under Section 35(1A) of the Banking Regulation Act, 1949. The RBI issued a Show Cause Notice to which the Bank had submitted its detailed response. After considering the Bank's submission, the RBI imposed a penalty of ₹ 2.00 crore on the Bank vide its letter dated July 19, 2016 on account of pendency in receipt of bill of entry relating to advance import remittances made and lapses in adhering to KYC/AML guidelines in this respect. The penalty has since been paid. The Bank has implemented a comprehensive corrective action plan, to strengthen its internal control mechanisms so as to ensure that such incidents do not recur. The above matter does not constitute a material weakness or significant deficiency in the framework of internal financial controls over financial reporting maintained by the Bank under Section 134(3)(q) of the Companies Act 2013.

During the year ended March 31, 2016, RBI had not imposed any penalties on the Bank.

33 Disclosure for customer complaints / unimplemented awards of Banking Ombudsman

- **Customer complaints**

(A) Customer complaints other than ATM transaction disputes

Particulars	March 31, 2017	March 31, 2016
(a) No. of complaints pending at the beginning of the year	651	496
(b) No. of complaints received during the year	96,454	62,224
(c) No. of complaints redressed during the year	94,756	62,069
(d) No. of complaints pending at the end of the year	2,349	651

(B) ATM transaction disputes relating to the Bank's customers on the Bank's ATMs

Particulars	March 31, 2017	March 31, 2016
(a) No. of complaints pending at the beginning of the year	101	71
(b) No. of complaints received during the year	12,703	13,170
(c) No. of complaints redressed during the year	12,659	13,140
(d) No. of complaints pending at the end of the year	145	101
(e) Complaints per ten thousand transactions	0.62	0.50

(C) ATM transaction disputes relating to the Bank's customers on other banks' ATMs

Particulars	March 31, 2017	March 31, 2016
(a) No. of complaints pending at the beginning of the year	1,118	1,334
(b) No. of complaints received during the year	95,415	89,975
(c) No. of complaints redressed during the year	95,069	90,191
(d) No. of complaints pending at the end of the year	1,464	1,118
(e) Complaints per ten thousand transactions	3.69	3.86

(D) Total customer complaints and ATM transaction disputes [total of tables (A), (B) and (C) above]

Particulars	March 31, 2017	March 31, 2016
(a) No. of complaints pending at the beginning of the year	1,870	1,901
(b) No. of complaints received during the year	2,04,572	1,65,369
(c) No. of complaints redressed during the year	2,02,484	1,65,400
(d) No. of complaints pending at the end of the year	3,958	1,870

Note: ATM transaction disputes reported in the above tables are in accordance with RBI guidelines on disclosure of customer complaints.

- **Awards passed by the Banking Ombudsman (BO)**

Particulars	March 31, 2017	March 31, 2016
(a) No. of unimplemented awards at the beginning of the year	-	-
(b) No. of awards passed by the BO during the year	-	-
(c) No. of awards implemented during the year	-	-
(d) No. of unimplemented awards at the end of the year	-	-

- **Top areas of customer complaints**

The average number of customer complaints per branch, including ATM transaction disputes, was 3.7 per month during the year ended March 31, 2017 (previous year: 3.3 per month). For the year ended March 31, 2017, retail liability segment accounted for 74.61% of the total complaints (a reduction from 82.60% for the previous year) followed by credit cards at 18.15% of the total complaints (an increase from 11.86% for the previous year), retail assets at 6.08% of the total complaints (an increase from 3.68% for the previous year), while other segments accounted for 1.16% of total complaints (as against 1.86% in the previous year). The top 10 areas of customer complaints for the year ended March 31, 2017, including ATM transaction disputes, accounted for 1,48,462 complaints and were 72.57% of total complaints as against 1,23,323 complaints which were 74.57% of the total complaints for the year ended March 31, 2016. The top 5 areas of customer complaints on which the Bank is working towards root cause remediation are - 'cash not dispensed or less cash dispensed in the Bank's ATMs', phishing /unauthorized usage through debit card online, transaction dispute related – credit cards, Phishing /Unauthorized usage through debit card done at other bank's ATM outlets and customer disputes relating to EMI / ROI / Tenor / Loan Amount..

- **Position of BO complaints as per RBI annual report**

As per a report published by the RBI for the year ended June 30, 2016, the number of BO complaints per branch for the Bank was 1.68 (previous year: 1.36). The number of BO complaints other than credit cards per 1,000 accounts was at 0.13 (previous year: 0.10).The number of BO complaints (credit card related) per 1,000 cards was at 0.08 (previous year: 0.06) for the Bank.

34 Disclosure of Letters of Comfort (LoC) issued by the Bank

The Bank has not issued any Letter of Comfort during the years ended March 31, 2017 and March 31, 2016.

35 Small and micro industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 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.

36 Overseas assets, NPAs and revenue (₹ crore)

Particulars	March 31, 2017	March 31, 2016
Total Assets	23,911.48	35,956.88
Total NPAs	121.59	124.23
Total Revenue	1,023.65	1,156.39

37 Off-Balance Sheet SPVs

There are no Off-Balance Sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.

38 Credit default swaps

The Bank has not transacted in credit default swaps during the year ended March 31, 2017 (previous year: Nil).

39 Corporate social responsibility

Operating expenses include ₹ 305.42 crore (previous year: ₹ 194.81 crore) for the year ended March 31, 2017 towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013.

The Bank has spent 2.0% (previous year: 1.6%) of its average net profit for the last three financial years as part of its CSR for the year ended March 31, 2017. As a responsible bank, it has approached the mandatory requirements of CSR spends positively by laying a foundation on which it would build and scale future projects and partnerships. The Bank continues to evaluate strategic avenues for CSR expenditure in order to deliver maximum impact. In the years to come, the Bank will further strengthen its processes as per requirement.

The details of amount spent during the respective year towards CSR are as under:

(₹ crore)

Sr. No.	Particulars	March 31, 2017			March 31, 2016		
		Amount spent	Amount unpaid /provision	Total	Amount spent	Amount unpaid /provision	Total
(i)	Construction / acquisition of any asset	-	-	-	-	-	-
(ii)	On purpose other than (i) above	305.42	-	305.42	186.46	8.35	194.81

40 Investor education and protection fund

There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank.

41 Disclosure on remuneration to Non-Executive Directors

Remuneration by way of sitting fees to the Non-Executive Directors for attending meetings of the Board and its committees during the year ended March 31, 2017 amounted to ₹ 1.67 crore (previous year: ₹ 1.33 crore).

Further, in accordance with RBI guidelines, profit related commission to all Non-Executive Directors other than the Chairperson for the year ended March 31, 2017 amounted to ₹ 0.80 crore (previous year: ₹ 0.60 crore).

42 Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

For and on behalf of the Board

Mumbai, April 21, 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HDFC BANK LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **HDFC BANK LIMITED** ("the Bank"), which comprise the Balance Sheet as at 31st March, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act, in so far as applicable to banks, and the Guidelines issued by the Reserve Bank of India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, and evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 and the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31st March, 2016, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act and Section 30 of the Banking Regulation Act, 1949, we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank.

   c) As explained in paragraph 2 below, the financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by the Branches.

   d) 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.

e) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

f) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards prescribed under section 133 of the Act, as applicable.

g) On the basis of the written representations received from the directors as on 31st March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

h) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank's internal financial controls over financial reporting.

i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Schedule 17/C-17 and Schedule 18 Note 16(b) and Note 16(c) to the financial statements;

   ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Schedule 17/C-17 and Schedule 18 Note 16 to the financial statements;

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

2. We report that during the course of our audit we have performed select relevant procedures at 54 branches. Since the Bank considers its key operations to be automated, with the key applications largely integrated to the core banking systems, it does not require its branches, to submit any financial returns. Accordingly our audit is carried out centrally at the Head Office and Central Processing Units based on the necessary records and data required for the purposes of the audit and made available to us.

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

Porus B. Pardiwalla
Partner
(Membership No. 40005)

Place: Mumbai
Date: 22nd April, 2016

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1.h under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **HDFC BANK LIMITED** ("the Bank") as at 31st March, 2016 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the Guidelines issued by the Reserve Bank of India.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and other applicable regulations. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2016, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No.117635W)

Porus B. Pardiwalla
Partner
(Membership No.40005)

Place: Mumbai
Date: 22^{nd} April, 2016

HDFC Bank Limited

Balance Sheet as at March 31, 2016

	Schedule	As at 31-Mar-16	As at 31-Mar-15
			₹ in '000
CAPITAL AND LIABILITIES			
Capital	1	**5,056,373**	**5,012,991**
Reserves and surplus	2	**721,721,274**	**615,081,174**
Deposits	3	**5,464,241,920**	**4,507,956,425**
Borrowings	4	**530,184,746**	**452,135,582**
Other liabilities and provisions	5	**367,251,338**	**324,844,559**
Total		**7,088,455,651**	**5,905,030,731**
ASSETS			
Cash and balances with Reserve Bank of India	6	**300,583,087**	**275,104,536**
Balances with banks and money at call and short notice	7	**88,605,293**	**88,209,982**
Investments	8	**1,638,857,691**	**1,516,417,540**
Advances	9	**4,645,939,589**	**3,654,950,312**
Fixed assets	10	**33,431,573**	**31,217,343**
Other assets	11	**381,038,418**	**339,131,018**
Total		**7,088,455,651**	**5,905,030,731**
Contingent liabilities	12	**8,533,181,145**	**9,752,339,539**
Bills for collection		**234,899,997**	**223,049,263**
Significant accounting policies and notes to the financial statements	17 & 18		

The schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date. **For and on behalf of the Board**

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005

Mumbai, April 22, 2016

Statement of Profit and Loss for the year ended March 31, 2016 ₹ in '000

	Schedule	Year Ended 31-Mar-16	Year Ended 31-Mar-15
I. INCOME			
Interest earned	13	**602,214,451**	**484,699,044**
Other income	14	**107,517,233**	**89,963,521**
Total		**709,731,684**	**574,662,565**
II. EXPENDITURE			
Interest expended	15	**326,299,330**	**260,742,352**
Operating expenses	16	**169,797,000**	**139,875,416**
Provisions and contingencies		**90,673,223**	**71,885,608**
Total		**586,769,553**	**472,503,376**
III. PROFIT			
Net profit for the year		**122,962,131**	**102,159,189**
Balance in Profit and Loss account brought forward		**186,277,944**	**146,541,532**
Total		**309,240,075**	**248,700,721**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		**30,740,533**	**25,539,798**
Proposed dividend		**24,017,772**	**20,051,963**
Tax (including cess) on dividend		**4,889,453**	**4,082,107**
Dividend (including tax/cess thereon) pertaining to previous year paid during the year, net of dividend tax credits		**(117,135)**	**8,411**
Transfer to General Reserve		**12,296,213**	**10,215,919**
Transfer to Capital Reserve		**2,221,532**	**2,249,166**
Transfer to/(from) Investment Reserve Account		**(85,184)**	**275,413**
Balance carried over to Balance Sheet		**235,276,891**	**186,277,944**
Total		**309,240,075**	**248,700,721**
V. EARNINGS PER EQUITY SHARE (Face value ₹ 2 per share)		**₹**	**₹**
Basic		**48.84**	**42.15**
Diluted		**48.26**	**41.67**
Significant accounting policies and notes to the financial statements	17 & 18		

The schedules referred to above form an integral part of the Statement of Profit and Loss.

As per our report of even date. **For and on behalf of the Board**

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005
Mumbai, April 22, 2016

HDFC BANK LIMITED

Cash Flow Statement for the year ended March 31, 2016

		₹ in '000
Particulars	**Year Ended 31-Mar-16**	**Year Ended 31-Mar-15**
<u>Cash flows from operating activities</u>		
Profit before income tax	**186,379,247**	**153,287,238**
Adjustments for :		
Depreciation on fixed assets	7,058,390	6,562,963
(Profit) / loss on revaluation of investments	173,689	(556,306)
Amortisation of premia on held to maturity investments	1,002,801	805,534
(Profit) / loss on sale of fixed assets	626	(111,598)
Provision / charge for non performing assets	22,963,803	18,794,809
Provision for dimunition in value of investments	151,722	(38,184)
Floating provisions	1,150,000	-
Provision for standard assets	4,399,962	2,962,495
Provision for wealth tax	-	7,500
Contingency provisions	218,102	589,904
	223,498,342	**182,304,355**
Adjustments for :		
(Increase) / decrease in investments (excluding investments in subsidiaries and joint ventures)	(123,768,363)	(445,894,140)
(Increase) / decrease in advances	(1,015,961,758)	(647,034,038)
Increase / (decrease) in deposits	956,285,495	834,581,648
(Increase) / decrease in other assets	(37,562,160)	66,122,651
Increase / (decrease) in other liabilities and provisions	32,720,884	(94,828,734)
	35,212,440	**(104,748,258)**
Direct taxes paid (net of refunds)	(67,459,133)	(53,874,446)
Net cash flow (used in) / from operating activities	**(32,246,693)**	**(158,622,704)**
<u>Cash flows used in investing activities</u>		
Purchase of fixed assets	(8,159,133)	(7,356,260)
Proceeds from sale of fixed assets	111,518	329,189
Investment in subsidiaries and / or joint ventures	-	(12,415,656)
Net cash used in investing activities	**(8,047,615)**	**(19,442,727)**
<u>Cash flows from financing activities</u>		
Money received on exercise of stock options by employees	12,229,008	9,954,171
Increase / (decrease) in borrowings (excluding subordinate debt, perpetual debt and upper Tier II instruments)	89,693,664	61,627,164
Proceeds from issue of shares under Qualified Institutions Placement and American Depository Receipt offering (net of issue expenses)	-	97,227,855
Redemption of subordinated debt	(12,020,000)	(4,140,000)
Dividend paid during the year	(20,091,666)	(16,492,770)
Tax on dividend	(3,925,269)	(2,742,009)
Net cash generated from financing activities	**65,885,737**	**145,434,411**
Effect of exchange fluctuation on translation reserve	**282,433**	**109,160**
Net increase / (decrease) in cash and cash equivalents	**25,873,862**	**(32,521,860)**

Particulars	Year Ended 31-Mar-16	Year Ended 31-Mar-15
		₹ in '000
Cash and cash equivalents as at April 1st (Schedules 6 and 7)	**363,314,518**	**395,836,378**
Cash and cash equivalents as at March 31st (Schedules 6 and 7)	**389,188,380**	**363,314,518**

As per our report of even date

For and on behalf of the Board

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005

Mumbai, April 22, 2016

Schedules to the financial statements ₹ in '000

	As at 31-Mar-16	As at 31-Mar-15
SCHEDULE 1 - CAPITAL		
Authorised capital	**5,500,000**	**5,500,000**
2,75,00,00,000 (31 March, 2015 : 2,75,00,00,000) Equity Shares of ₹ 2/- each		
Issued, subscribed and paid-up capital	**5,056,373**	**5,012,991**
2,52,81,86,517 (31 March, 2015 : 2,50,64,95,317) Equity Shares of ₹ 2/- each		
Total	**5,056,373**	**5,012,991**
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory reserve		
Opening balance	**116,644,222**	**91,104,424**
Additions during the year	**30,740,533**	**25,539,798**
Total	**147,384,755**	**116,644,222**
II. General reserve		
Opening balance	**44,823,296**	**34,607,377**
Additions during the year	**12,296,213**	**10,215,919**
Total	**57,119,509**	**44,823,296**
III. Balance in profit and loss account	**235,276,891**	**186,277,944**
IV. Share premium account		
Opening balance	**249,531,232**	**142,564,095**
Additions during the year	**12,185,626**	**108,477,413**
Deductions during the year [Refer Schedule 18 (1)]	**-**	**(1,510,276)**
Total	**261,716,858**	**249,531,232**
V. Amalgamation reserve		
Opening balance	**10,635,564**	**10,635,564**
Additions during the year	**-**	**-**
Total	**10,635,564**	**10,635,564**
VI. Capital reserve		
Opening balance	**6,645,051**	**4,395,885**
Additions during the year	**2,221,532**	**2,249,166**
Total	**8,866,583**	**6,645,051**
VII. Investment reserve account		
Opening balance	**484,268**	**208,855**
Additions during the year	**76**	**310,612**
Deductions during the year	**(85,260)**	**(35,199)**
Total	**399,084**	**484,268**
VIII. Foreign currency translation account		
Opening balance	**39,597**	**(69,563)**
Additions during the year	**282,433**	**109,160**
Total	**322,030**	**39,597**
Total	**721,721,274**	**615,081,174**

		₹ in '000
	As at 31-Mar-16	**As at 31-Mar-15**
SCHEDULE 3 - DEPOSITS		
A. I Demand deposits		
(i) From banks	**22,017,200**	**16,319,866**
(ii) From others	**862,229,501**	**719,334,552**
Total	**884,246,701**	**735,654,418**
II Savings bank deposits	**1,478,861,798**	**1,249,266,089**
III Term deposits		
(i) From banks	**25,095,540**	**18,405,279**
(ii) From others	**3,076,037,881**	**2,504,630,639**
Total	**3,101,133,421**	**2,523,035,918**
Total	**5,464,241,920**	**4,507,956,425**
B. I. Deposits of branches in India	**5,397,071,812**	**4,449,045,841**
II. Deposits of branches outside India	**67,170,108**	**58,910,584**
	5,464,241,920	**4,507,956,425**
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	**-**	**-**
(ii) Other banks	**15,792,856**	**14,851,586**
(iii) Other institutions and agencies	**59,750,000**	**30,000,000**
(iv) Upper and lower tier II capital and innovative perpetual debts	**144,279,000**	**156,299,000**
Total	**219,821,856**	**201,150,586**
II. Borrowings outside India*	**310,362,890**	**250,984,996**
Total	**530,184,746**	**452,135,582**

**Includes Upper Tier II debt of ₹ 662.55 crore (previous year:₹ 625.00 crore)*
Secured borrowings included in I & II above: Nil (previous year: Nil)

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	**73,784,974**	**60,853,248**
II. Interest accrued	**35,987,631**	**29,949,880**
III. Others *(including provisions)*	**208,559,451**	**194,323,194**
IV. Contingent provisions against standard assets	**20,012,057**	**15,584,167**
V. Proposed dividend *(including tax on dividend)*	**28,907,225**	**24,134,070**
Total	**367,251,338**	**324,844,559**

	₹ in '000 As at 31-Mar-16	As at 31-Mar-15
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand *(including foreign currency notes)*	**55,694,577**	**53,214,928**
II. Balances with Reserve Bank of India :		
(a) In current accounts	**242,888,510**	**219,889,608**
(b) In other accounts	**2,000,000**	**2,000,000**
Total	**244,888,510**	**221,889,608**
Total	**300,583,087**	**275,104,536**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. **In India**		
(i) Balances with banks :		
(a) In current accounts	**2,380,626**	**2,316,337**
(b) In other deposit accounts	**6,824,510**	**21,126,770**
Total	**9,205,136**	**23,443,107**
(ii) Money at call and short notice :		
(a) With banks	**-**	**2,500,000**
(b) With other institutions	**1,359,867**	**2,238,499**
Total	**1,359,867**	**4,738,499**
Total	**10,565,003**	**28,181,606**
II. **Outside India**		
(i) In current accounts	**23,909,955**	**16,465,876**
(ii) In deposit accounts	**3,776,535**	**625,000**
(iii) Money at call and short notice	**50,353,800**	**42,937,500**
Total	**78,040,290**	**60,028,376**
Total	**88,605,293**	**88,209,982**

Schedules to the financial statements (Contd). ₹ in '000

	As at 31-Mar-16	As at 31-Mar-15
SCHEDULE 8 - INVESTMENTS		
A. Investments in India in		
(i) Government securities	**1,257,105,578**	**1,203,902,956**
(ii) Other approved securities	**-**	**-**
(iii) Shares	**739,032**	**1,284,423**
(iv) Debentures and bonds	**48,873,774**	**11,254,750**
(v) Subsidiaries / joint ventures	**27,829,565**	**27,829,565**
(vi) Others (Units, CDs/CPs, PTCs and security receipts)	**290,582,987**	**261,087,214**
Total	**1,625,130,936**	**1,505,358,908**
B. Investments outside India in		
Other investments		
(a) Shares	**28,375**	**9,396**
(b) Debentures and bonds	**13,698,380**	**11,049,236**
Total	**13,726,755**	**11,058,632**
Total	**1,638,857,691**	**1,516,417,540**
C. Investments		
(i) Gross value of investments		
(a) In India	**1,626,326,344**	**1,506,498,794**
(b) Outside India	**13,726,755**	**11,058,632**
Total	**1,640,053,099**	**1,517,557,426**
(ii) Provision for depreciation		
(a) In India	**1,195,408**	**1,139,886**
(b) Outside India	**-**	**-**
Total	**1,195,408**	**1,139,886**
(iii) Net value of investments		
(a) In India	**1,625,130,936**	**1,505,358,908**
(b) Outside India	**13,726,755**	**11,058,632**
Total	**1,638,857,691**	**1,516,417,540**

Schedules to the Accounts (contd.)

	As at 31-Mar-16	As at 31-Mar-15
SCHEDULE 9 - ADVANCES		
A (i) Bills purchased and discounted	**185,136,903**	**177,134,003**
(ii) Cash credits, overdrafts and loans repayable on demand	**1,242,774,115**	**993,671,410**
(iii) Term loans	**3,218,028,571**	**2,484,144,899**
Total	**4,645,939,589**	**3,654,950,312**
B (i) Secured by tangible assets*	**3,458,703,399**	**2,735,499,707**
(ii) Covered by bank / government guarantees	**114,128,823**	**63,453,979**
(iii) Unsecured	**1,073,107,367**	**855,996,626**
Total	**4,645,939,589**	**3,654,950,312**
** Including advances against book debts*		
C. I. Advances in India		
(i) Priority sector	**1,417,909,585**	**1,061,040,411**
(ii) Public sector	**134,556,082**	**118,066,442**
(iii) Banks	**4,659,631**	**51,278**
(iv) Others	**2,767,906,764**	**2,187,379,246**
Total	**4,325,032,062**	**3,366,537,377**
C.II. Advances outside India		
(i) Due from banks	**6,879,777**	**16,094,350**
(ii) Due from others		
(a) Bills purchased and discounted	**1,245,263**	**1,849,427**
(b) Syndicated loans	**38,624,247**	**14,652,002**
(c) Others	**274,158,240**	**255,817,156**
Total	**320,907,527**	**288,412,935**
Total	**4,645,939,589**	**3,654,950,312**

(Advances are net of provisions)

		₹ in '000
	As at 31-Mar-16	**As at 31-Mar-15**
SCHEDULE 10 - FIXED ASSETS		
A. **Premises** *(including land)*		
Gross block		
At cost on 31 March of the preceding year	**14,756,943**	**14,169,660**
Additions during the year	**839,927**	**793,539**
Deductions during the year	**(85,166)**	**(206,256)**
Total	**15,511,704**	**14,756,943**
Depreciation		
As at 31 March of the preceding year	**3,764,471**	**3,337,178**
Charge for the year	**551,090**	**519,617**
On deductions during the year	**(68,719)**	**(92,324)**
Total	**4,246,842**	**3,764,471**
Net block	**11,264,862**	**10,992,472**
B. **Other fixed assets** *(including furniture and fixtures)*		
Gross block		
At cost on 31 March of the preceding year	**65,329,178**	**58,341,584**
Additions during the year	**8,548,465**	**7,807,332**
Deductions during the year	**(1,410,076)**	**(819,738)**
Total	**72,467,567**	**65,329,178**
Depreciation		
As at 31 March of the preceding year	**45,104,307**	**39,774,886**
Charge for the year	**6,510,901**	**6,045,463**
On deductions during the year	**(1,314,352)**	**(716,042)**
Total	**50,300,856**	**45,104,307**
Net block	**22,166,711**	**20,224,871**
C. **Assets on lease** *(plant and machinery)*		
Gross block		
At cost on 31 March of the preceding year	**4,546,923**	**4,546,923**
Additions during the year	**-**	**-**
Total	**4,546,923**	**4,546,923**
Depreciation		
As at 31 March of the preceding year	**4,104,467**	**4,104,467**
Charge for the year	**-**	**-**
Total	**4,104,467**	**4,104,467**
Lease adjustment account		
As at 31 March of the preceding year	**442,456**	**442,456**
Charge for the year	**-**	**-**
Total	**442,456**	**442,456**
Unamortised cost of assets on lease	**-**	**-**
Total	**33,431,573**	**31,217,343**

	As at 31-Mar-16	As at 31-Mar-15
		₹ in '000
SCHEDULE 11 - OTHER ASSETS		
I. Interest accrued	**75,482,713**	**56,319,984**
II. Advance tax/tax deducted at source (net of provisions)	**17,646,013**	**14,935,373**
III. Stationery and stamps	**220,786**	**168,394**
IV. Non banking assets acquired in satisfaction of claims	**-**	**-**
V. Bond and share application money pending allotment	**-**	**-**
VI. Security deposit for commercial and residential property	**4,626,811**	**4,232,087**
VII. Others*	**283,062,095**	**263,475,180**
Total	**381,038,418**	**339,131,018**

**Includes deferred tax asset (net) of ₹ 2,116.62 crore (previous year: ₹ 1,950.74 crore) and deposits placed with NABARD/SIDBI/NHB on account of shortfall in lending to priority sector of ₹ 13,719.68 crore(previous year: ₹ 14,818.19 crore)*

	As at 31-Mar-16	As at 31-Mar-15
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the bank not acknowledged as debts - taxation	**11,877,300**	**8,979,600**
II. Claims against the bank not acknowledged as debts - others	**762,010**	**713,542**
III. Liability on account of outstanding forward exchange contracts	**5,290,757,746**	**6,740,520,896**
IV. Liability on account of outstanding derivative contracts	**2,570,471,528**	**2,433,779,738**
V. Guarantees given on behalf of constituents - in India	**301,311,242**	**240,381,176**
- outside India	**31,094,714**	**32,080,401**
VI. Acceptances, endorsements and other obligations	**317,525,754**	**279,900,503**
VII. Other items for which the Bank is contingently liable	**9,380,851**	**15,983,683**
Total	**8,533,181,145**	**9,752,339,539**

Schedules to the financial statements (Contd). ₹ in '000

	Year Ended 31-Mar-16	Year Ended 31-Mar-15
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances / bills	**448,278,559**	**371,807,856**
II. Income from investments	**141,200,321**	**98,584,846**
III. Interest on balance with RBI and other inter-bank funds	**3,616,100**	**5,170,990**
IV Others	**9,119,471**	**9,135,352**
Total	**602,214,451**	**484,699,044**
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	**77,590,448**	**65,842,024**
II. Profit / (loss) on sale of investments (net)	**7,491,483**	**5,259,706**
III. Profit / (loss) on revaluation of investments (net)	**(173,689)**	**556,306**
IV. Profit / (loss) on sale of building and other assets (net)	**(626)**	**111,598**
V. Profit/(loss) on exchange/derivative transactions (net)	**12,277,267**	**10,279,548**
VI. Income earned by way of dividends from subsidiaries/ associates and /or ioint ventures abroad / in India	**1,490,542**	**325,932**
VII. Miscellaneous income	**8,841,808**	**7,588,407**
Total	**107,517,233**	**89,963,521**
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	**291,782,889**	**235,138,320**
II. Interest on RBI / inter-bank borrowings	**33,664,532**	**24,785,390**
III. Other interest	**851,909**	**818,642**
Total	**326,299,330**	**260,742,352**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	**57,021,980**	**47,509,591**
II. Rent, taxes and lighting	**12,326,423**	**10,520,867**
III. Printing and stationery	**4,234,603**	**3,861,460**
IV. Advertisement and publicity	**2,483,938**	**1,874,691**
V. Depreciation on bank's property	**7,058,390**	**6,562,963**
VI. Directors' fees, allowances and expenses	**25,761**	**9,696**
VII. Auditors' fees and expenses	**19,331**	**14,508**
VIII. Law charges	**998,702**	**717,718**
IX. Postage, telegram, telephone etc.	**3,997,235**	**3,995,952**
X. Repairs and maintenance	**10,287,303**	**8,499,506**
XI. Insurance	**5,613,318**	**4,470,026**
XII. Other expenditure*	**65,730,016**	**51,838,438**
Total	**169,797,000**	**139,875,416**

**Includes professional fees, commission to sales agents, travel and hotel charges, card and merchant acquiring expenses and system management fees.*

Schedule 17 - Significant Accounting Policies appended to and forming part of the Financial Statements for the year ended March 31, 2016

A. Background

HDFC Bank Limited ('HDFC Bank' or 'the Bank'), incorporated in Mumbai, India is a publicly held banking company engaged in providing a range of banking and financial services including retail banking, wholesale banking and treasury operations. The Bank is governed by the Banking Regulation Act, 1949 and the Companies Act, 2013. The Bank has overseas branch operations in Bahrain, Hong Kong and Dubai. The financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by branches of the Bank.

B. Basis of preparation

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') specified under section 133 of the Companies Act, 2013, in so far as they apply to banks and current practices prevailing within the banking industry in India.

Use of estimates

The preparation of financial statements in conformity with GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

C. Principal accounting policies

1. Investments

Classification:

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ('HFT'), "Available for Sale" ('AFS') and "Held to Maturity" ('HTM') categories (hereinafter called "categories"). Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups (hereinafter called "groups") - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments.

Purchase and sale transactions in securities are recorded under 'Settlement Date' of accounting, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of classification:

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments in the equity of subsidiaries / joint ventures are categorised as HTM in accordance with the RBI guidelines. Investments which are not classified in either of the above categories are classified under AFS category.

Acquisition cost:

- Brokerage, commission, etc. and broken period interest on debt instruments are recognised in the Statement of Profit and Loss and are not included in the cost of acquisition.

Disposal of investments:

- Profit / Loss on sale of investments under the aforesaid three categories is recognised in the Statement of Profit and Loss. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve is appropriated from Statement of Profit and Loss to "Capital Reserve" in accordance with the RBI Guidelines.

Short sale:

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines. The short position is reflected as the amount received on sale and is classified under 'Other Liabilities'. The short position is marked to market and loss, if any, is charged to the Statement of Profit and Loss while gain, if any, is ignored. Profit / Loss on settlement of the short position is recognised in the Statement of Profit and Loss.

Valuation:

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

Traded investments are valued based on the trades / quotes on the recognised stock exchanges, price list of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA'), periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA.

The valuation of other unquoted fixed income securities (viz. State Government securities, other approved securities, bonds and debentures) and preference shares, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA.

Special bonds such as oil bonds, fertilizer bonds etc. which are directly issued by Government of India ('GOI') that do not qualify for SLR are also valued by applying the mark up above the corresponding yield on GOI securities.

Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at ₹ 1 as per the RBI guidelines.

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

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost and stated at acquisition cost.

Security receipts are valued as per the net asset value provided by the issuing Asset Reconstruction Company from time to time.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the six groups, is charged to the Statement of Profit and Loss. The net appreciation, if any, in any of the six groups is not recognised except to the extent of depreciation already provided. The valuation of investments includes securities under repo transactions. The book value of individual securities is not changed after the valuation of investments.

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a constant yield to maturity basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in subsidiaries / joint ventures is provided for.

Non-performing investments are identified and depreciation / provision are made thereon based on the RBI guidelines. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Statement of Profit and Loss until received.

Repo and reverse repo transactions:

In accordance with the RBI guidelines repo and reverse repo transactions in government securities and corporate debt securities (excluding transactions conducted under Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI) are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions are accounted for as interest income.

In respect of repo transactions under LAF and MSF with RBI, amount borrowed from RBI is credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of reverse repo transactions under LAF, amount lent to RBI is debited to investment account and reversed on maturity of the transaction. Revenues thereon are accounted for as interest income.

2. Advances

Classification

Advances are classified as performing and non-performing based on the RBI guidelines and are stated net of bills rediscounted, specific provisions, interest in suspense for non-performing advances, claims received from Export Credit Guarantee Corporation, provisions for funded interest term loan classified as non-performing advances and provisions in lieu of diminution in the fair value of restructured assets. Interest on non-performing advances is transferred to an interest suspense account and not recognised in the Statement of Profit and Loss until received.

Provisioning:

Specific loan loss provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of wholesale and retail advances, subject to the minimum provisioning level prescribed by the RBI.

The specific provision levels for retail non-performing assets are also based on the nature of product and delinquency levels. Specific loan loss provisions in respect of non-performing advances are charged to the Statement of Profit and Loss and included under Provisions and Contingencies.

In accordance with RBI guidelines, accelerated provision is made on non-performing advances which were not earlier reported by the Bank as Special Mention Account under "SMA-2" category to Central Repository of Information on Large Credits (CRILC). Accelerated provision is also made on non-performing advances which are erstwhile SMA-2 accounts with Aggregate Exposure (AE) ₹ 1,000 million or above and Joint Lenders' Forum (JLF) is not formed or they fail to agree upon a common Corrective Action Plan (CAP) within the stipulated time frame.

Accounts are written off in accordance with the Bank's policies. Recoveries from bad debts written-off are recognised in the Statement of Profit and Loss and included under other income.

In relation to non-performing derivative contracts, as per the extant RBI guidelines, the Bank makes provision for the entire amount of overdue and future receivables relating to positive marked to market value of the said derivative contracts.

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, and gold in accordance with the guidelines and at levels stipulated by RBI from time to time. In the case of overseas branches, general provision on standard advances is maintained at the higher of the levels stipulated by the respective overseas regulator or RBI. In accordance with RBI guidelines, provision is made against standard assets representing all exposures to the wholly owned step down subsidiaries of the overseas subsidiaries of Indian companies, sanctioned / renewed after December 31, 2015. Provision for standard assets is included under other liabilities.

Provisions made in excess of the Bank's policy for specific loan loss provisions for non-performing assets and regulatory general provisions are categorised as floating provisions. Creation of floating provisions is considered by the Bank up to a level approved by the Board of Directors. In accordance with the RBI guidelines, floating provisions are used up to a level approved by the Board only for contingencies under extraordinary circumstances and for making specific provisions for impaired accounts as per these guidelines or any regulatory guidance/instructions. Floating provisions have been included under other liabilities.

Further to the provisions required to be held according to the asset classification status, provisions are held for individual country exposures (other than for home country exposure). Countries are categorised into risk categories as per Export Credit Guarantee Corporation of India Ltd. ('ECGC') guidelines and provisioning is done in respect of that country where the net funded exposure is one percent or more of the Bank's total assets.

In addition to the above, the Bank on a prudential basis makes provisions on advances or exposures which are not NPAs, but has reasons to believe on the basis of the extant environment or specific information or basis regulatory guidance/instructions, the possible slippage of a specific advance or a group of advances or exposures or potential exposures. These are classified as contingent provisions and included under other liabilities.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines. Restructuring of an account is done at a borrower level.

3. Securitisation and transfer of assets

The Bank securitises out its receivables, subject to the Minimum Holding Period ('MHP') criteria and the Minimum Retention Requirements ('MRR') of RBI, to Special Purpose Vehicles ('SPVs') in securitisation transactions. Such securitised-out receivables are de-recognised in the balance sheet when they are sold (true sale criteria being fully met with) and consideration is received by the Bank. Sales / Transfers that do not meet these criteria for surrender of control are accounted for as secured borrowings. In respect of receivable pools securitised-out, the Bank provides liquidity and credit enhancements, as specified by the rating agencies, in the form of cash collaterals / guarantees and / or by subordination of cash flows, not exceeding 20% of the total securitised instruments, in line with RBI guidelines. The Bank also acts as a servicing agent for receivable pools securitised-out.

The Bank also enters into transactions for transfer of standard assets through the direct assignment of cash flows, which are similar to asset-backed securitisation transactions through the SPV route, except that such portfolios of receivables are assigned directly to the purchaser and are not represented by Pass Through Certificates ('PTCs'), subject to the RBI prescribed MHP criteria and the MRR. The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines.

Pursuant to these guidelines, the Bank amortises any profit received in cash for every individual securitisation or direct assignment transaction. This amortisation is calculated as the maximum of either of the three parameters stated below:

- the losses incurred on the portfolio, including marked-to-market losses in case of securitisation transactions, specific provisions, if any, and direct write-offs made on the MRR and any other exposures to the securitisation transaction (other than credit enhancing interest only strip); or
- the amount of unamortised cash profit at the beginning of the year multiplied by the amount of principal amortised during the year as a proportion to the amount of unamortised principal at the beginning of the year; or
- the amount of unamortised cash profit at the beginning of the year divided by residual maturity of the securitisation or the direct assignment transaction.

In relation to securitisation transactions undertaken prior to the aforementioned RBI guidelines, including those undertaken through the direct assignment route, the Bank continues to amortise the profit / premium that arose on account of sale of receivables over the life of the securities sold, in accordance with the RBI guidelines on securitisation of standard assets issued vide its circular dated February 1, 2006.

Any loss arising on account of sale of receivables is recognised in the Statement of Profit and Loss for the period in which the sale occurs in accordance with the said RBI guidelines.

The Bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the Statement of Profit and Loss. If the sale is for a value higher than the net book value, the excess provision is not reversed but is utilised to meet the shortfall / loss on account of sale of other non-performing advances. The RBI issued new guidelines on sale of non-performing advances on February 26, 2014. In accordance with these guidelines, if the sale of non-performing advances is at a price below the net book value, the shortfall is charged to the Statement of Profit and Loss spread over a period of two years. If the sale is for a value higher than the net book value, the excess provision is credited to the Statement of Profit and Loss in the year the amounts are received.

The Bank invests in PTCs issued by other SPVs. These are accounted for at the deal value and are classified as investments. The Bank also buys loans through the direct assignment route which are classified as advances. These are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised based on Effective Interest Rate (EIR) method.

4. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. The Bank, pursuant to the Companies Act 2013, has carried out a technical assessment of the useful life of its assets taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use. The estimated useful lives of key fixed assets are given below:

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act 2013
Owned Premises	61 years	60 years
Automated Teller Machines ('ATMs')	10 years	15 years
Electrical equipment and installations	6 to 10 years	10 years
Office equipment	3 to 6 years	5 years
Computers	3 years	3 years
Modems, routers, switches, servers, network and related IT equipment	3 to 6 years	6 years
Motor cars	4 years	8 years
Furniture and fittings	16 years	10 years

- Improvements to lease hold premises are charged off over the remaining primary period of lease.
- Software and system development expenditure is depreciated over a period of 5 years.
- Point of sale terminals are fully depreciated in the year of purchase.
- For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Bank.
- Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.
- Profit on sale of immovable property net of taxes and transfer to statutory reserve, are transferred to capital reserve account.

5. Impairment of assets

The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Statement of Profit and Loss to the extent the carrying amount of assets exceeds their estimated recoverable amount.

6. Transactions involving foreign exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of integral foreign operations (representative offices) are translated at the weekly average closing rates and of non-integral foreign operations (foreign branches) at the monthly average closing rates.

Foreign currency monetary items of domestic and integral foreign operations are translated at the closing exchange rates notified by Foreign Exchange Dealers' Association of India ('FEDAI') as at the balance sheet date and the resulting net valuation profit or loss arising due to a net open position in any foreign currency is recognised in the Statement of Profit and Loss.

Both monetary and non-monetary foreign currency assets and liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit / loss arising from exchange differences are accumulated in the Foreign Currency Translation Account until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS - 11, The Effects of Changes in Foreign Exchange Rates.

Foreign exchange spot and forward contracts outstanding as at the balance sheet date and held for trading, are revalued at the closing spot and forward rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities. The USD-INR rate for valuation of contracts having longer maturities i.e. greater than one year, is implied from MIFOR and LIBOR curves. For other currency pairs, the forward points (for rates / tenors not published by FEDAI) are obtained from Reuters for valuation of the FX deals. As directed by FEDAI to consider P&L on present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Statement of Profit and Loss. Foreign exchange contracts are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value).

Foreign exchange forward contracts not intended for trading, that are entered into to establish the amount of reporting currency required or available at the settlement date of a transaction, and are outstanding at the balance sheet date, are effectively valued at the closing spot rate. The premia or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

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

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

7. Derivative contracts

The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Statement of Profit and Loss.

Derivative contracts designated as hedges are not marked to market unless their underlying transaction is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Statement of Profit and Loss in the relevant period. The Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. Hedge effectiveness is ascertained at the time of the inception of the hedge and periodically thereafter. Gains or losses arising from hedge ineffectiveness, if any, are recognised in the Statement of Profit and Loss.

Contingent liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

8. Revenue recognition

Interest income is recognised in the Statement of Profit and Loss on an accrual basis, except in the case of non-performing assets where it is recognised upon realisation as per RBI norms.

Interest income on investments in PTCs and loans bought out through the direct assignment route is recognised at their effective interest rate.

Income on non-coupon bearing discounted instruments is recognised over the tenor of the instrument on a constant effective yield basis.

Loan processing fee is recognised as income when due. Syndication / arranger fee is recognised as income when a significant act / milestone is completed.

Gain / loss on sell down of loans is recognised in line with the extant RBI guidelines.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

Guarantee commission, commission on Letter of Credit, annual locker rent fees and annual fees for credit cards are recognised on a straight line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the Bank is uncertain of ultimate collection.

9. Employee benefits

Employee Stock Option Scheme ('ESOS')

The Employee Stock Option Scheme ('the Scheme') provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Bank follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price of the underlying stock over the exercise price as determined under the option plan. The market price is the closing price on the stock exchange where there is highest trading volume on the working day immediately preceding the date of grant. Compensation cost, if any is amortised over the vesting period.

Gratuity

The Bank provides for gratuity to all employees. The benefit vests upon completion of five years of service and is in the form of lump sum payment to employees on resignation, retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. The Bank makes contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. In respect of erstwhile Lord Krishna Bank ('eLKB') employees, the Bank makes contribution to a fund set up by eLKB and administered by the board of trustees.

The defined gratuity benefit plans are valued by an independent actuary as at the balance sheet date using the projected unit credit method as per the requirement of AS-15, Employee Benefits, to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognised in the Statement of Profit and Loss.

Superannuation

Employees of the Bank, above a prescribed grade, are entitled to receive retirement benefits under the Bank's Superannuation Fund. The Bank contributes a sum equivalent to 13% of the employee's eligible annual basic salary (15% for the whole time directors and for certain eligible erstwhile Centurion Bank of Punjab ('eCBoP') staff) to insurance companies, which administer the fund. The Bank has no liability for future superannuation fund benefits other than its contribution, and recognises such contributions as an expense in the year incurred, as such contribution is in the nature of defined contribution.

Provident fund

In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund. The Bank contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary). Of this, the Bank contributes an amount equal to 8.33% of employee's basic salary up to a maximum salary level of ₹ 15,000/- per month, to the Pension Scheme administered by the Regional Provident Fund Commissioner ('RPFC'). The balance amount is contributed to a fund set up by the Bank and administered by a board of trustees. In respect of eCBoP employees, employer's and employee's share of contribution to Provident Fund till March 2009, was administered by RPFC and from April 2009 onwards, the same is transferred to the fund set up by the Bank and administered by the board of trustees. In respect of eLKB employees, the Bank contributes to a fund set up by eLKB and administered by a board of trustees. The Bank recognises such contributions as an expense in the year in which it is incurred. Interest payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act 1952 and shortfall, if any, shall be made good by the Bank.

The guidance note on implementing AS-15, Employee Benefits, states that benefits involving employer established provident funds, which require interest shortfalls to be provided, are to be considered as defined benefit plans. Actuarial valuation of this Provident Fund interest shortfall is done as per the guidance note issued in this respect by The Institute of Actuaries of India (IAI) and provision towards this liability is made.

The overseas branches of the Bank makes contribution to the respective relevant government scheme calculated as a percentage of the employees' salaries. The Bank's obligations are limited to these contributions, which are expensed when due, as such contribution is in the nature of defined contribution.

Leave encashment / Compensated absences

The Bank does not have a policy of encashing unavailed leave for its employees, except for certain eLKB employees under Indian Banks' Association ('IBA') structure. The Bank provides for leave encashment / compensated absences based on an independent actuarial valuation at the balance sheet date, which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation.

Pension

In respect of pension payable to certain eLKB employees under IBA structure, which is a defined benefit scheme, the Bank contributes 10% of basic salary to a pension fund set up by the Bank and administered by the board of trustees and the balance amount is provided based on actuarial valuation as at the balance sheet date conducted by an independent actuary.

In respect of certain eLKB employees who had moved to a Cost to Company ('CTC') driven compensation structure and had completed less than 15 years of service, the contribution which was made until then, is maintained as a fund and will be converted into annuity on separation after a lock-in-period of two years. For this category of employees, liability stands frozen and no additional provision is required except for interest as applicable to Provident Fund, which is provided for.

In respect of certain eLKB employees who moved to a CTC structure and had completed service of more than 15 years, pension would be paid on separation based on salary applicable as on the date of movement to CTC structure. Provision thereto is made based on actuarial valuation as at the balance sheet date conducted by an independent actuary.

10. Debit and credit cards reward points

The Bank estimates the probable redemption of debit and credit card reward points and cost per point using an actuarial method by employing an independent actuary, which includes assumptions such as mortality, redemption and spends. Provisions for liabilities on said reward points are made based on the actuarial valuation report as furnished by the said independent actuary and included in other liabilities.

11. Bullion

The Bank imports bullion including precious metal bars on a consignment basis for selling to its wholesale and retail customers. The imports are typically on a back-to-back basis and are priced to the customer based on an estimated price quoted by the supplier. The Bank earns a fee on such wholesale bullion transactions. The fee is classified under commission income.

The Bank also sells bullion to its retail customers. The difference between the sale price to customers and actual price paid to the supplier is recorded under commission income.

The Bank also deals in bullion on a borrowing and lending basis and the interest paid / received thereon is classified as interest expense / income respectively.

12. Lease accounting

Lease payments including cost escalation for assets taken on operating lease are recognised in the Statement of Profit and Loss over the lease term on a straight-line basis in accordance with the AS-19, Leases.

13. Income tax

Income tax expense comprises current tax provision (i.e. the amount of tax for the period determined in accordance with the Income Tax Act, 1961, the rules framed there under and considering the material principles set out in Income Computation and Disclosure Standards) and the net change in the deferred tax asset or liability during the year. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences between the carrying values of assets and liabilities and their respective tax bases, and operating loss carried forward, if any. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates as at the balance sheet date.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realized.

14. Earnings per share

The Bank reports basic and diluted earnings per equity share in accordance with AS-20, Earnings per Share. Basic earnings per equity share has been computed by dividing net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted to equity during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and the dilutive potential equity shares outstanding during the period except where the results are anti-dilutive.

15. Share issue expenses

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

16. Segment information

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

17. Accounting for provisions, contingent liabilities and contingent assets

In accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets, the Bank recognises provisions when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management 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 the 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, if any, are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

Onerous contracts

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

18. Cash and cash equivalents

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

19. Corporate social responsibility

Expenditure towards corporate social responsibility, in accordance with Companies Act 2013, are recognised in the Statement of Profit and Loss.

Schedule 18 - Notes forming part of the Financial Statements for the year ended March 31, 2016

Amounts in notes forming part of the financial statements for the year ended March 31, 2016 are denominated in rupees crore to conform to extant RBI guidelines.

1. Change in classification

Pursuant to RBI circular dated July 16, 2015, deposits placed, with NABARD, SIDBI and NHB aggregating to ₹ 13,719.68 crore (previous year: ₹ 14,818.19 crore), arising out of the shortfall in meeting the priority sector lending targets/sub-targets, have been included under 'Other Assets' and interest thereon aggregating to ₹ 861.15 crore (previous year: ₹ 847.12 crore) under 'Interest Earned - Others'. Hitherto, these were included under 'Investments' and 'Interest Earned- Income on Investments' respectively. Figures for the previous year have been regrouped / reclassified to conform to current year's classification. The above change in classification has no impact on the profit of the Bank for the years ended March 31, 2016 and March 31, 2015.

2. Capital adequacy

The Bank's capital to risk-weighted asset ratio ('Capital Adequacy Ratio') as on March 31, 2016 is calculated in accordance with the RBI's guidelines on Basel III capital regulations ('Basel III'). The phasing in of the minimum capital requirement under Basel III is as follows:

(% of RWAs)

Minimum ratio of capital to risk-weighted assets	As on April 1, 2013	As on March 31					
		2014	2015	2016	2017	2018	2019
Common equity tier I ratio	4.5	5.0	5.5	5.5	5.5	5.5	5.5
Capital conservation buffer	-	-	-	0.625	1.25	1.875	2.5
Tier I capital ratio	6.0	6.5	7.0	7.0	7.0	7.0	7.0
Total capital adequacy ratio	9.0	9.0	9.0	9.0	9.0	9.0	9.0

The Bank's capital adequacy ratio computed under Basel III is given below:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Tier I capital	70,032.52	57,722.07
Of which Common equity tier I capital	70,032.52	57,722.07
Tier II capital	12,243.44	13,244.22
Total capital	82,275.96	70,966.29
Total Risk weighted assets	529,768.14	422,669.92
Capital adequacy ratios under Basel lII		
Tier I	13.22%	13.66%
Of which common equity tier I	13.22%	13.66%
Tier II	2.31%	3.13%
Total	**15.53%**	**16.79%**

The Bank has not raised any additional tier I and tier II capital during the year ended March 31, 2016 and March 31, 2015.

Subordinated debt (lower Tier II capital), upper Tier II capital and innovative perpetual debt instruments outstanding as at March 31, 2016 are ₹ 10,812.00 crore (previous year: ₹ 12,014.00 crore), ₹ 4,078.45 crore (previous year: ₹ 4,040.90 crore) and ₹ 200.00 crore (previous year: ₹ 200.00 crore) respectively.

In accordance with RBI guidelines, banks are required to make Pillar 3 disclosures under Basel III capital regulations. The Bank has made these disclosures which are available on its website at the following link: http://www.hdfcbank.com/aboutus/basel_disclosures/default.htm. These Pillar 3 disclosures have not been subjected to audit.

Capital Infusion

During the year ended March 31, 2016, the Bank allotted 2,16,91,200 equity shares (previous year: 2,27,00,740 equity shares) aggregating to face value ₹ 4.34 crore (previous year: ₹ 4.54 crore) in respect of stock options exercised. Accordingly, share capital increased by ₹ 4.34 crore (previous year: ₹ 4.54 crore) and share premium increased by ₹ 1,218.56 crore (previous year: ₹ 990.88 crore).

Pursuant to the shareholder and regulatory approvals, the Bank on February 10, 2015, concluded a Qualified Institutions Placement (QIP) of 1,87,44,142 equity shares at a price of ₹ 1,067 per equity share aggregating ₹ 2,000 crore and an American Depository Receipt (ADR) offering of 2,20,00,000 ADRs (representing 6,60,00,000 equity shares) at a price of USD 57.76 per ADR, aggregating USD 1,271 million. Pursuant to these issuances, the Bank allotted 8,47,44,142 additional equity shares. Accordingly, share capital increased by ₹ 16.95 crore and share premium increased by ₹ 9,705.84 crore, net of share issue expenses of ₹ 151.03 crore.

Details of movement in the paid-up equity share capital of the Bank are given below:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Opening balance	501.30	479.81
Addition pursuant to QIP/ADR offering	-	16.95
Addition pursuant to stock options exercised	4.34	4.54
Closing balance	505.64	501.30

3. Earnings per equity share

Basic and diluted earnings per equity share have been calculated based on the net profit after taxation of ₹ 12,296.23 crore (previous year: ₹ 10,215.92 crore) and the weighted average number of equity shares outstanding during the year of 2,51,74,29,120 (previous year: 2,42,37,77,245).

Following is the reconciliation between basic and diluted earnings per equity share:

Particulars	For the years ended (₹)	
	March 31, 2016	March 31, 2015
Nominal value per share	2.00	2.00
Basic earnings per share	48.84	42.15
Effect of potential equity shares (per share)	(0.58)	(0.48)
Diluted earnings per share	48.26	41.67

Basic earnings per equity share have been computed by dividing net profit for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share have been computed by dividing the net profit for the year attributable to the equity shareholders by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. The dilutive impact is on account of stock options granted to employees by the Bank. There is no impact of dilution on the profits in the current year and previous year.

Following is the reconciliation of weighted average number of equity shares used in the computation of basic and diluted earnings per share:

Particulars	For the years ended	
	March 31, 2016	March 31, 2015
Weighted average number of equity shares used in computing basic earnings per equity share	2,51,74,29,120	2,42,37,77,245
Effect of potential equity shares outstanding	3,04,43,320	2,77,45,406
Weighted average number of equity shares used in computing diluted earnings per equity share	2,54,78,72,440	2,45,15,22,651

4. Reserves and surplus

Draw down from reserves

Share Premium

The Bank has not undertaken any drawdown from reserves during the years ended March 31, 2016 and March 31, 2015, except towards share issue expenses of ₹ 151.03 crores, incurred for the equity raised through the Qualified Institutions Placement (QIP) and American Depository Receipts (ADR) routes during the year ended March 31, 2015, which have been adjusted in that year against the share premium account in terms of Section 52 of the Companies Act, 2013.

Statutory Reserve

The Bank has made an appropriation of ₹ 3,074.05 crore (previous year: ₹ 2,553.98 crore) out of profits for the year ended March 31, 2016 to Statutory Reserve pursuant to the requirements of section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

Capital Reserve

During the year ended March 31, 2016, the Bank appropriated ₹ 222.15 crore (previous year: ₹ 224.92 crore), being the profit from sale of investments under HTM category and profit on sale of immovable properties, net of taxes and transfer to statutory reserve, from Profit and Loss Account to Capital Reserve account.

General Reserve

The Bank has made an appropriation of ₹ 1,229.62 crore (previous year: ₹ 1,021.59 crore) out of profits for the year ended March 31, 2016, to General Reserve pursuant to provisions of the Companies Act, 2013.

Investment Reserve Account

During the year ended March 31, 2016, the Bank has transferred ₹ 8.52 crore (net) from Investment Reserve Account to Profit and Loss Account and in the previous year, the Bank appropriated ₹ 27.54 crore (net) from Profit and Loss Account to Investment Reserve Account as per RBI guidelines.

5. Dividend on shares allotted pursuant to exercise of stock options

The Bank may allot equity shares after the Balance Sheet date but before the book closure date pursuant to the exercise of any employee stock options. These equity shares will be eligible for full dividend for the year ended March 31, 2016, if approved at the ensuing Annual General Meeting.

6. Accounting for employee share based payments

The shareholders of the Bank approved grant of equity share options under Plan "C" in June 2005, Plan "D" in June 2007, Plan "E" in June 2010 and Plan “F” in June 2013. Under the terms of each of these Plans, the Bank may issue Equity Stock Options ('ESOPs') to employees and whole time directors of the Bank, each of which is convertible into one equity share. All the plans were framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time and as applicable at the time of grant. Accounting for the stock options has been in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014 to the extent applicable.

Plans C, D, E and F provide for the issuance of options at the recommendation of the Nomination & Remuneration Committee at the closing price on the working day immediately preceding the date when options are granted. The price being the closing price of the share on an Indian stock exchange with the highest trading volume as of the working day preceding the date of grant.

Vesting conditions applicable to the options are at the discretion of the Nomination & Remuneration Committee. These options are exercisable on vesting, for a period as set forth by the Nomination & Remuneration Committee at the time of grant. The period in which options may be exercised cannot exceed five years. During the years ended March 31, 2016 and March 31, 2015, no modifications were made to the terms and conditions of ESOPs as approved by the Nomination & Remuneration Committee.

Activity in the options outstanding under the Employee Stock Options Plans

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2016:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	10,90,33,000	683.16
Granted during the year	4,48,36,200	1,092.65
Exercised during the year	2,16,91,200	563.78
Forfeited / lapsed during the year	35,23,700	895.09
Options outstanding, end of year	12,86,54,300	840.19
Options exercisable	4,96,81,000	661.84

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2015:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	9,24,76,600	556.06
Granted during the year	4,16,59,000	835.50
Exercised during the year	2,27,00,740	438.50
Forfeited / lapsed during the year	24,01,860	744.09
Options outstanding, end of year	10,90,33,000	683.16
Options exercisable	4,18,71,400	537.99

- Following table summarises the information about stock options outstanding as at March 31, 2016:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan C	680.00 to 835.50	57,40,800	3.34	693.00
Plan D	680.00	51,33,900	3.32	680.00
Plan E	440.16 to 680.00	3,78,50,200	2.49	598.71
Plan F	835.50 to 1,097.80	7,99,29,400	4.80	975.41

- Following table summarises the information about stock options outstanding as at March 31, 2015:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan C	680.00 to 835.50	67,78,000	4.32	692.50
Plan D	680.00	64,02,300	4.26	680.00
Plan E	440.16 to 680.00	5,59,39,700	3.05	573.70
Plan F	835.50	3,99,13,000	5.22	835.50

Fair value methodology

The fair value of options used to compute *pro forma* net income and earnings per equity share have been estimated on the dates of each grant using the binomial option-pricing model. The Bank estimates the volatility based on the historical share prices. 4,48,36,200 options were granted during the year ended March 31, 2016 (previous year: 4,16,59,000). The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2016 and March 31, 2015 were:

Particulars	March 31, 2016	March 31, 2015
Dividend yield	0.73%	0.82%
Expected volatility	23.29% to 26.46%	24.30% to 32.00%
Risk-free interest rate	7.71% to 8.07%	8.42 % - 8.63 %
Expected life of the options	1 to 7 Years	1 to 7 Years

Impact of fair value method on net profit and earnings per share ('EPS')

Had the compensation cost for the Bank's stock option plans been determined based on the fair value approach, the Bank's net profit and earnings per share would have been as per the *pro forma* amounts indicated below:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Net profit (as reported)	12,296.23	10,215.92
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method (*pro forma*)	1,265.93	944.47
Net profit (*pro forma*)	11,030.30	9,271.45
	(₹)	**(₹)**
Basic earnings per share (as reported)	48.84	42.15
Basic earnings per share (*pro forma*)	43.82	38.25
Diluted earnings per share (as reported)	48.26	41.67
Diluted earnings per share (*pro forma*)	43.29	37.82

7. Other liabilities

- The Bank held contingent provisions towards standard assets amounting to ₹ 2,001.21 crore as on March 31, 2016 (previous year: ₹ 1,558.42 crore). These are included under Other Liabilities.

  Provision for standard assets is made in accordance with RBI guidelines. Provision for standard assets is made @ 0.25% for direct advances to agriculture and Small and Micro Enterprises (SMEs) sectors, @ 1% for advances to commercial real estate sector, @ 0.75% for advances to commercial real estate - residential housing sector and @ 5% on restructured standard advances. Provision for standard assets is made @ 2% on all exposures to the wholly owned step down subsidiaries of the overseas subsidiaries of Indian companies, sanctioned / renewed after December 31, 2015. For housing loans offered at a comparatively lower rate of interest in the first few years after which rates are reset at higher rates (teaser rate loans), provision for standard assets is made @ 2% until after one year from the date on which the rates are reset at higher rates. For accounts classified under special mention account "SMA-2" category, provision for standard advances is made @ 5% where the Bank under consortium//multiple banking arrangement has the largest Aggregate Exposure (AE) or second largest AE with aggregate exposure of ₹ 1,000 million or above and Joint Lenders' Forum (JLF) is not formed or the JLF fails to agree upon a common corrective action plan within the stipulated time frame. The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts at levels stipulated by RBI from time to time. In accordance with regulatory guidelines and based on the information made available by its customers to the Bank, for exposures to customers who have not hedged their foreign currency exposures, provision for standard assets is made at levels ranging up to 0.80% depending on the likely loss the entities could incur on account of exchange rate movements. For all other loans and advances provision for standard assets is made @ 0.40%. Provision for standard assets of overseas branches has been made at higher of rates prescribed by the overseas regulator or RBI.

- The Bank has presented gross unrealised gain on foreign exchange and derivative contracts under other assets and gross unrealised loss on foreign exchange and derivative contracts under other liabilities. Accordingly, other liabilities as on March 31, 2016 include unrealised loss on foreign exchange and derivative contracts of ₹ 7,524.88 crore (previous year: ₹ 6,914.10 crore).

8. Unhedged foreign currency exposure

- The Bank has in place a policy and process for managing currency induced credit risk. The credit appraisal memorandum prepared at the time of origination and review of a credit is required to discuss the exchange risk that the customer is exposed to from all sources, including trade related, foreign currency borrowings and external commercial borrowings. It could cover the natural hedge available to the customer as well as other hedging methods adopted by the customer to mitigate exchange risk. For foreign currency loans granted by the Bank beyond a defined threshold the customer will be encouraged to enter into appropriate risk hedging mechanisms with the Bank. Alternatively, the Bank will satisfy itself that the customer has the financial capacity to bear the exchange risk in the normal course of its business and / or has other mitigants to reduce the risk. On a monthly basis, the Bank reviews information on the unhedged portion of foreign currency exposures of customers, whose total foreign currency exposure with the Bank exceeds a defined threshold. Based on the monthly review, the Bank proposes suitable hedging techniques to the customer to contain the risk. A Board approved credit risk rating linked limit on unhedged foreign currency position of customers is applicable when extending credit facilities to a customer. The compliance with the limit is assessed by estimating the extent of drop in a customer's annual EBID due to a potentially large adverse movement in exchange rate impacting the unhedged foreign currency exposure of the customer. Where a breach is observed in such a simulation, the customer is advised to reduce its unhedged exposure.

- In accordance with RBI guidelines, provisions held for standard assets and capital maintained by the bank as at March 31, 2016 in respect of the unhedged foreign currency exposure of customers was ₹ 114.84 crore (previous year: ₹ 76.49 crore) and ₹ 275.44 crore (previous year: ₹ 199.59 crore) respectively.

9. Investments

- **Value of investments:**

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Gross value of investments		
- In India	162,632.63	150,649.88
- Outside India	1,372.68	1,105.86

Particulars	March 31, 2016	March 31, 2015
Provisions for depreciation on investments		
- In India	119.54	113.99
- Outside India	-	-
Net value of investments		
- In India	162,513.09	150,535.89
- Outside India	1,372.68	1,105.86

- **Movement in provisions held towards depreciation on investments:**

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Opening balance	113.99	173.44
Add: Provision made during the year	36.51	7.55
Less: Write-off, write back of excess provision during the year	30.96	67.00
Closing balance	119.54	113.99

Movement in provisions held towards depreciation on investments have been reckoned on a yearly basis

- **Repo transactions**

In accordance with RBI's guidelines, accounting of repo/reverse repo transactions excludes those done with the RBI. Following are the details of the repo/reverse repo transactions deals done during the years ended March 31, 2016 and March 31, 2015:

✓ Details of repo/reverse repo deals (in face value terms) done during the year ended March 31, 2016:

(₹ crore)

Particulars	Minimum Outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2016
Securities sold under repo				
Corporate debt securities	-	-	-	-
Government securities	-	11,144.49	745.11	-
Securities purchased under reverse repo				
Corporate debt securities	-	211.60	144.49	132.00
Government securities	-	8,948.60	539.25	-

✓ Details of repo/reverse repo deals (in face value terms) done during the year ended March 31, 2015:

(₹ crore)

Particulars	Minimum Outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2015
Securities sold under repo				
Corporate debt securities	-	-	-	-
Government securities	-	7,719.96	468.30	-
Securities purchased under reverse repo				
Corporate debt securities	-	520.40	308.49	211.60

Particulars	Minimum Outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2015
Government securities	-	5,420.07	356.74	-

Outstanding repo and deals with RBI under liquidity adjustment facility/marginal standing facility as of March 31, 2016 were ₹ 31,830.24 crore (previous year: ₹ 5,200.00 crore). There were no outstanding reverse repo deals with RBI under liquidity adjustment facility / marginal standing facility as of March 31, 2016 and as of March 31, 2015.

- **Non-SLR investment portfolio**

✓ Issuer-wise composition of non-SLR investments as at March 31, 2016:

(₹ crore)

Sr. No.	Issuer	Amount	Extent of private placement#	Extent of "below investment grade" securities#	Extent of "unrated" securities# *	Extent of "unlisted" securities# **
	Public sector undertakings	1,357.71	1,357.71	-	-	-
	Financial institutions	4,875.28	4,775.38	-	-	-
	Banks	873.92	1.00	-	-	-
	Private corporate	24,911.15	23,242.35	-	83.80	431.21
	Subsidiaries /Joint ventures	2,782.96	2,782.96	-	-	-
	Others	3,493.73	3,490.73	-	-	-
	Provision held towards depreciation	(119.54)				
	Total	**38,175.21**	**35,650.13**	**-**	**83.80**	**431.21**

Amounts reported under these columns above are not mutually exclusive.

* *Excludes investments in equity shares and units of equity oriented mutual funds in line with extant RBI guidelines.*

** *Excludes investments in equity shares, units of equity oriented mutual funds, pass through certificates, security receipts, commercial paper and certificate of deposits in line with extant RBI guidelines.*

✓ Issuer-wise composition of non-SLR investments as at March 31, 2015:

(₹ crore)

Sr. No.	Issuer	Amount	Extent of private placement#	Extent of "below investment grade" securities#	Extent of "unrated" securities# *	Extent of "unlisted" securities# **
	Public sector undertakings	596.92	596.92	-	-	-
	Financial institutions	100.00	100.00	-	-	-
	Banks	6,240.26	5,604.09	-	-	-
	Private corporate	19,136.11	18,200.81	-	351.80	152.92
	Subsidiaries /Joint ventures	2,782.96	2,782.96	-	-	-
	Others	2,509.18	2,506.18	36.68	-	-
	Provision held towards depreciation	(113.97)				
	Total	**31,251.46**	**29,790.96**	**36.68**	**351.80**	**152.92**

Amounts reported under these columns above are not mutually exclusive.

* *Excludes investments in equity shares and units of equity oriented mutual funds and in line with extant RBI guidelines.*

** *Excludes investments in equity shares, units of equity oriented mutual funds, pass through certificates, security receipts, commercial paper and certificate of deposits in line with extant RBI guidelines.*

✓ Non-performing non-SLR investments:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Opening balance	101.30	107.38
Additions during the year	19.13	0.49
Reductions during the year	33.41	6.57
Closing balance	87.02	101.30
Total provisions held	84.33	96.14

- **Details of investments category-wise:**

The details of investments held under the three categories viz. Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HTM) is as under:

(₹ crore)

Particulars	As at March 31, 2016				As at March 31, 2015			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government securities	5,444.11	46,212.83	74,053.62	125,710.56	5,913.40	32,362.64	82,114.26	120,390.30
Other approved securities	-	-	-	-	-	-	-	-
Shares	-	76.74	-	76.74	-	129.38	-	129.38
Debentures and bonds	1,474.90	4,282.31	500.00	6,257.21	100.00	2,130.40	-	2,230.40
Subsidiary / Joint ventures	-	-	2,782.96	2,782.96	-	-	2,782.96	2,782.96
Others	-	29,058.30	-	29,058.30	-	26,108.72	-	26,108.72
Total	**6,919.01**	**79,630.18**	**77,336.58**	**163,885.77**	**6,013.40**	**60,731.14**	**84,897.22**	**151,641.76**

- Other investments as at the Balance Sheet date include the following:

(₹ crore)

Other Investments	March 31, 2016	March 31, 2015
Certificate of deposits	-	5,603.08
Commercial paper	25,431.18	17,822.55

- Investments include securities of Face Value (FV) aggregating ₹ 1,520.00 crore (previous year: FV ₹ 1,563.00 crore) which are kept as margin for clearing of securities, of FV ₹ 13,729.30 crore (previous year: FV ₹ 16,249.30 crore) which are kept as margin for Collateralised Borrowing and Lending Obligation (CBLO) and of FV aggregating ₹ 56.00 crore (previous year: FV ₹ 63.25 crore) which are kept as margin for Forex Forward segment - Default Fund with the Clearing Corporation of India Ltd.

- Investments include securities of FV aggregating ₹ 16.00 crore (previous year: FV ₹ 16.00 crore) which are kept as margin with National Securities Clearing Corporation of India Ltd. ('NSCCIL'), of FV aggregating ₹ 13.00 crore (previous year: FV ₹ 13.00 crore) which are kept as margin with MCX - SX Clearing Corporation Ltd. and of FV aggregating ₹ 1.00 crore (previous year: ₹ 2.00 crore) which are kept as margin with Indian Clearing Corporation Limited in the BSE currency derivatives segment.

- Investments having FV aggregating ₹ 35,937.22 crore (previous year: FV ₹ 34,127.16 crore) are kept as margin towards Real Time Gross Settlement (RTGS) and those having FV aggregating ₹ 13,091.46 crore (previous year: ₹ 19,077.83 crore) are kept as margin towards repo transactions with the RBI.

- The Bank has made investments in certain companies wherein it holds more than 25% of the equity shares of those companies. Such investments do not fall within the definition of a joint venture as per AS-27, Financial Reporting of Interest in Joint Ventures and the said accounting standard is thus not applicable. However, pursuant to RBI guidelines, the Bank has classified and disclosed these investments as joint ventures.

- During the year ended March 31, 2016, the aggregate book value of investment sold from, and transferred to/ from, HTM category was in excess of 5% of the book value of investments held in HTM category at the beginning of the year. The market value of investments (excluding investments in subsidiaries/joint ventures and Non SLR bonds) under HTM category as on March 31, 2016 was ₹ 75,466.02 crore (previous year: ₹ 83,733.68 crore) and was higher than the book value thereof as of that date. In accordance with the RBI guidelines, sale from, and transfer to / from, HTM category excludes:

  ✓ one-time transfer of securities permitted to be undertaken by banks at the beginning of the accounting year with approval of the

  ✓ Board of Directors;

  ✓ sales to the RBI under pre-announced open market operation auctions;

  ✓ repurchase of Government securities by Government of India from Banks; and

  ✓ sale of securities or transfer to AFS/HFT consequent to the reduction of ceiling on SLR securities under HTM at the beginning of January, July and September 2015, in addition to the shifting permitted at the beginning of the accounting year, i.e, April 2015.

10. Derivatives

- **Forward Rate Agreements (FRAs) / Interest Rate Swaps (IRS)**:**

(₹ crore)

Sr. No.	Particulars	March 31, 2016	March 31, 2015
i)	The total notional principal of swap agreements	220,137.21	221,218.07
ii)	Total losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	912.36	701.72
iii)	Concentration of credit risk arising from swaps*	83.02%	85.95%
iv)	Collateral required by the Bank upon entering into Swaps	-	-
v)	The fair value of the swap book	(48.40)	(22.30)

* *Concentration of credit risk arising from swaps is with banks as on March 31, 2016 and March 31, 2015.*

** *Interest Rate Swaps comprises of INR Interest Rate Swaps and FCY Interest Rate Swaps*

The nature and terms of Rupee IRS as on March 31, 2016 are set out below:

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	7	275.00	INBMK	Fixed receivable v/s floating payable
Trading	8	450.00	INBMK	Floating receivable v/s fixed payable
Trading	4	1,250.00	INCMT	Floating receivable v/s fixed payable
Trading	944	67,667.84	OIS	Fixed receivable v/s floating payable
Trading	901	61,759.95	OIS	Floating receivable v/s fixed payable
Trading	323	23,437.00	MIFOR	Fixed receivable v/s floating payable
Trading	239	15,135.00	MIFOR	Floating receivable v/s fixed payable
Trading	8	620.00	MIOIS	Floating receivable v/s fixed payable
Total		**170,594.79**		

The nature and terms of foreign currency IRS as on March 31, 2016 are set out below:

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	1	29.41	GBP Libor	Fixed receivable v/s floating payable
Trading	1	29.41	GBP Libor	Floating receivable v/s fixed payable
Trading	2	753.95	EURIBOR	Fixed receivable v/s floating payable
Trading	2	753.95	EURIBOR	Floating receivable v/s fixed payable

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	90	14,568.32	USD Libor	Fixed receivable v/s floating payable
Trading	184	26,816.42	USD Libor	Floating receivable v/s fixed payable
Hedging	3	3,312.75	USD Libor	Fixed receivable v/s floating payable
Hedging	6	2,848.97	USD Libor	Floating receivable v/s fixed payable
Total		**49,113.18**		

The nature and terms of foreign currency FRA as on March 31, 2016 are set out below:

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	1	214.63	USD Libor	Payable FRA
Trading	1	214.63	USD Libor	Receivable FRA
Total		**429.26**		

The nature and terms of Rupee IRS as on March 31, 2015 are set out below:

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	18	600.00	INBMK	Fixed receivable v/s floating payable
Trading	15	675.00	INBMK	Floating receivable v/s fixed payable
Trading	4	1,250.00	INCMT	Floating receivable v/s fixed payable
Trading	1	15.00	FIX TO FIX	Fixed receivable v/s fixed payable
Trading	783	69,773.34	OIS	Fixed receivable v/s floating payable
Trading	757	78,003.28	OIS	Floating receivable v/s fixed payable
Trading	304	18,939.00	MIFOR	Fixed receivable v/s floating payable
Trading	259	16,150.00	MIFOR	Floating receivable v/s fixed payable
Trading	13	600.00	MIOIS	Floating receivable v/s fixed payable
Total		**186,005.62**		

The nature and terms of foreign currency IRS as on March 31, 2015 are set out below:

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	1	36.62	GBP Libor	Fixed receivable v/s floating payable
Trading	1	36.62	GBP Libor	Floating receivable v/s fixed payable
Trading	2	671.90	EURIBOR	Fixed receivable v/s floating payable
Trading	2	671.90	EURIBOR	Floating receivable v/s fixed payable
Trading	84	10,812.94	USD Libor	Fixed receivable v/s floating payable
Trading	151	16,047.63	USD Libor	Floating receivable v/s fixed payable
Trading	3	3,125.00	USD Libor	Fixed receivable v/s floating payable
Trading	7	3,000.00	USD Libor	Floating receivable v/s fixed payable
Total		**34,402.61**		

The nature and terms of foreign currency FRA as on March 31, 2015 are set out below:

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	2	404.92	USD Libor	Payable FRA
Trading	2	404.92	USD Libor	Receivable FRA
Total		**809.84**		

- **Exchange traded interest rate derivatives**

(₹ crore)

Sr. No.	Particulars	March 31, 2016	March 31, 2015
i)	The total notional principal amount of exchange traded interest rate derivatives	Nil	0.40

Sr. No.	Particulars	March 31, 2016	March 31, 2015
	undertaken during the year ended March 31, (instrument-wise): (a) 10 year Government Security Notional Bond		
ii)	The total notional principal amount of exchange traded interest rate derivatives outstanding	Nil	Nil
iii)	The notional principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective',	N.A.	N.A.
iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not 'highly effective',	N.A.	N.A.

- **Qualitative disclosures on risk exposure in derivatives**

Overview of business and processes

Derivatives are financial instruments whose characteristics are derived from underlying assets, or from interest and exchange rates or indices. These include forwards, swaps, futures and options. The notional amounts of financial instruments such as foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the Balance Sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The following sections outline the nature and terms of the derivative transactions generally undertaken by the Bank.

Interest rate contracts

Forward rate agreements give the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the settlement date). There is no exchange of principal and settlement is effected on the settlement date. The settlement amount is the difference between the contracted rate and the market rate prevailing on the settlement date.

Interest rate swaps involve the exchange of interest obligations with the counterparty for a specified period without exchanging the underlying (or notional) principal.

Interest rate caps and floors give the buyer the ability to fix the maximum or minimum rate of interest. The writer of the contract pays the amount by which the market rate exceeds or is less than the cap rate or the floor rate respectively. A combination of interest rate caps and floors is known as an interest rate collar.

Interest rate futures are standardised interest rate derivative contracts traded on a recognised stock exchange to buy or sell a notional security or any other interest bearing instrument or an index of such instruments or interest rates at a specified future date, at a price determined at the time of the contract.

Exchange rate contracts

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on future date. All such instruments are carried at fair value, determined based on either FEDAI rates or on market quotations.

Cross currency swaps are agreements to exchange principal amounts denominated in different currencies. Cross currency swaps may also involve the exchange of interest payments on one specified currency for interest payments in another specified currency for a specified period.

Currency options give the buyer, on payment of a premium, the right but not an obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date. Option premia paid or received is recorded in Statement of Profit and Loss for rupee options at the expiry of the option and for foreign currency options on premium settlement date.

Currency futures contract is a standardised contract traded on an exchange, to buy or sell a certain underlying asset or an instrument at a certain date in the future, at a specified price. The underlying instrument of a currency future contract is the rate of exchange between one unit of foreign currency and the INR.

The Bank's derivative transactions relate to sales and trading activities. Sale activities include the structuring and marketing of derivatives to customers to enable them to hedge their market risks (both interest rate and exchange risks), within the framework of regulations as may apply from time to time. The Bank deals in derivatives on its own account (trading activity) principally for the purpose of generating a profit from short term fluctuations in price or yields. The Bank also deals in derivatives to hedge the risk embedded in some of its Balance Sheet assets and liabilities.

Constituents involved in derivative business

The Treasury front office enters into derivative transactions with customers and inter-bank counterparties. The Bank has an independent back-office and mid-office as per regulatory guidelines. The Bank has a credit and market risk department that assesses various counterparty risk and market risk limits, within the risk architecture and processes of the Bank.

Derivative policy

The Bank has in place a policy which covers various aspects that apply to the functioning of the derivative business. The derivative business is administered by various market risk limits such as position limits, tenor limits, sensitivity limits and value-at-risk limits that are approved by the Board and the Risk Policy and Monitoring Committee ('RPMC'). All methodologies used to assess credit and market risks for derivative transactions are specified by the market risk unit. Limits are monitored on a daily basis by the mid-office.

The Bank has implemented a Board approved policy on Customer Suitability & Appropriateness to ensure that derivative transactions entered into are appropriate and suitable to the customer's nature of business / operations. Before entering into a derivative deal with a customer, the Bank scores the customer on various risk parameters and based on the overall score level it determines the kind of product that best suits its risk appetite and the customer's requirements.

Classification of derivatives book

The derivative book is classified into trading and hedging book. Classification of the derivative book is made on the basis of the definitions of the trading and hedging books specified in the RBI guidelines. The trading book is managed within the trading limits approved by the RPMC.

Hedging policy

For derivative contracts designated as hedge the Bank documents, at inception, the relationship between the hedging instrument and the hedged item, the risk management objective for undertaking the hedge and the methods used to assess the hedge effectiveness. Hedge effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Hedge effectiveness is measured by the degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

The hedging book consists of transactions to hedge Balance Sheet assets or liabilities. The tenor of hedging instrument may be less than or equal to the tenor of underlying hedged asset or liability. Derivative contracts designated as hedges are not marked to market unless their underlying asset or liability is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Statement of Profit and Loss in the relevant period. Gain or losses arising from hedge ineffectiveness, if any, are recognised in the Statement of Profit and Loss. Foreign exchange forward contracts not intended for trading, that are entered into to establish the amount of reporting currency required or available at the settlement date of a transaction, and are outstanding at the balance sheet date, are effectively valued at the closing spot rate. The premia or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

- **Provisioning, collateral and credit risk mitigation**

The Bank enters into derivative transactions with counter parties based on their business ranking and financial position. The Bank sets up appropriate limits upon evaluating the ability of the counterparty to honour its obligations in the event of crystallisation of the exposure. Appropriate credit covenants are stipulated where required as trigger events to call for collaterals or terminate a transaction and contain the risk.

The Bank, at the minimum, conforms to the RBI guidelines with regard to provisioning requirements. Overdue receivables representing crystallized positive mark-to-market value of a derivative contract are transferred to the account of the borrower and treated as non-performing assets, if these remain unpaid for 90 days or more. Full provision is made for the entire amount of overdue and future receivables relating to positive marked to market value of non-performing derivative contracts.

- **Quantitative disclosure on risk exposure in derivatives**

(₹ crore)

Sr. No.	Particulars	Currency derivatives		Interest rate derivatives	
		March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
1	Derivatives (notional principal amount)				
	a) Hedging	160.35	151.26	6,161.72	6,125.00
	b) Trading	36,149.17	21,383.65	214,575.93	215,718.07
2	Marked to Market Positions				
	a) Asset (+)	740.09	533.77	911.43	706.49
	b) Liability (-)	(494.47)	(393.68)	(964.86)	(718.18)
3	Credit Exposure	2,114.96	1,411.84	2,355.78	2,460.14
4	Likely Impact of one percentage change in interest rate (100*PV01)				
	a) On hedging derivatives	0.09	0.03	32.24	28.13
	b) On trading derivatives	35.06	0.36	30.84	152.12
5	Maximum of 100*PV01 observed during the year				
	a) On Hedging	0.21	6.87	44.04	40.08
	b) On Trading	39.41	13.94	116.25	152.12
6	Minimum of 100*PV01 observed during the year				
	a) On Hedging	0.02	Nil	30.02	1.18
	b) On Trading	0.21	0.36	30.84	77.60

- ✓ The notional principal amount of foreign exchange contracts classified as Hedging and Trading outstanding as on March 31, 2016 amounted to ₹ 23,182.85 crore (previous year: ₹ 21,868.96 crore) and ₹ 505,892.93 crore (previous year: ₹ 652,183.13 crore) respectively.

- ✓ The notional principal amounts of derivatives reflect the volume of transactions outstanding as at the Balance Sheet date and do not represent the amounts at risk.

- ✓ For the purpose of this disclosure, currency derivatives include currency options purchased and sold and cross currency interest rate swaps.

- ✓ Interest rate derivatives include interest rate swaps, forward rate agreements and interest rate caps.

- ✓ The Bank has computed the maximum and minimum of PV01 for the year based on the balances as at the end of every month.

- ✓ In respect of derivative contracts, the Bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of:

  (a) the current replacement cost (marked to market value including accruals) of the contract or zero whichever is higher; and

  (b) the Potential Future Exposure (PFE). PFE is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factors prescribed in RBI guidelines, which is applied on the basis of the residual maturity and the type of contract.

11. Asset quality

- **Movements in NPAs (funded)**

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
(i) Net NPAs to net advances	0.28%	0.25%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	3,438.38	2,989.28
(b) Additions (fresh NPAs) during the year	5,712.64	4,790.12
(c) Reductions during the year:	4,758.19	4,341.02
Upgradation	1,377.12	1,076.64
Recoveries (excluding recoveries made from upgraded accounts)	1,438.65	1,413.04
Write-offs	1,942.42	1,851.34
(d) Closing balance	4,392.83	3,438.38
(iii) Movement of net NPAs		
(a) Opening balance	896.28	820.03
(b) Additions during the year	1,968.39	1,461.31
(c) Reductions during the year	1,544.30	1,385.06
(d) Closing balance	1,320.37	896.28
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	2,542.10	2,169.25
(b) Additions during the year	3,744.25	3,328.81
(c) Write-off	1,942.42	1,851.34
(d) Write-back of excess provisions	1,271.47	1,104.62
(e) Closing balance	3,072.46	2,542.10

NPAs include all loans, investments and foreign exchange and derivatives that are classified as non-performing by the Bank.

- **Technical or prudential write-offs**

Technical or prudential write-offs refer to the amount of non-performing assets which are outstanding in the books of the branches, but have been written-off (fully or partially) at the head office level. The financial accounting systems of the Bank are integrated and there are no write-offs done by the Bank which remain outstanding in the books of the branches. Movement in the stock of technically or prudentially written-off accounts given below:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Opening balance of technical/prudential write-offs	-	-
Technical/prudential write-offs during the year	-	-
Recoveries made from previously technically/ prudentially written-off accounts during the year	-	-
Closing Balance of technical/prudential write-offs	-	-

- **Floating provisions**

Floating provisions of ₹ 1,335.64 crore (previous year: ₹ 1,523.22 crore) have been included under "Other Liabilities". Movement in floating provision is given below:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Opening Balance	1,523.22	1,835.03
Provisions made during the year	115.00	-
Draw down made during the year	(302.58)	(311.81)
Closing Balance	1,335.64	1,523.22

Floating provisions have been utilised as per the Board approved policy for contingencies under extraordinary circumstances and for making specific provision for impaired accounts in accordance with the RBI guidelines/directives.

- **Disclosure on accounts subjected to restructuring for the year ended March 31, 2016:**

(₹ Crore, except numbers)

Sr. No	Type of Restructuring		Under Corporate Debt Restructuring (CDR) Mechanism					Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism					Others					Total				
	Asset Classification → Details		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured accounts as on April 1, 2015*	No. of borrowers	3	-	7	-	10	-	-	-	-	-	6	3	1	-	10	9	3	8	-	20
		Amount outstanding	70.48	-	236.88	-	307.36	-	-	-	-	-	192.32	9.02	7.74	-	209.08	262.80	9.02	244.62	-	516.44
		Provision thereon	2.10	-	5.78	-	7.88	-	-	-	-	-	16.02	0.23	1.34	-	17.59	18.12	0.23	7.12	-	25.47
2	Fresh restructuring during the year #	No. of borrowers	-	-	1	-	1	-	-	-	-	-	-	1	1	-	2	-	1	2	-	3
		Amount outstanding	3.29	1.48	6.70	-	11.47	-	-	-	-	-	9.00	3.80	2.95	-	15.75	12.29	5.28	9.65	-	27.22
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	0.75	0.01	-	0.76	-	0.75	0.01	-	0.76
3	Upgradation to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Advances not shown as restructured standard advances at the beginning of the next year^	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding	-				-	-				-	-				-	-				-
		Provision thereon	-				-	-				-	-				-	-				-
5	Down gradation of restructured accounts during the year	No. of borrowers	-1	+1	-	-	-	-	-	-	-	-	-1	+1 -3	+3	-	-	-2	+2 -3	+3	-	-
		Amount outstanding	-40.17	40.17	-	-	-	-	-	-	-	-	-24.74	15.72	9.02	-	-	-64.91	55.89	9.02	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-0.81	+0.58	+0.23	-	-	-0.81	+0.58	+0.23	-	-

Sr. No	Type of Restructuring		Under Corporate Debt Restructuring (CDR) Mechanism					Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism					Others					Total				
	Asset Classification → Details		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
6	Write-offs of restructured accounts during the year ##	No. of borrowers	-	-	1	-	1	-	-	-	-	-	3	-	-	-	3	3	-	1	-	4
		Amount outstanding	-	-	40.02	-	40.02	-	-	-	-	-	4.12	1.85	1.01	-	6.98	4.12	1.85	41.03	-	47.00
7	Restructured accounts as on March 31, 2016*	No. of borrowers	2	1	7	-	10	-	-	-	-	-	2	2	5	-	9	4	3	12	-	19
		Amount outstanding	33.60	41.65	203.56	-	278.81	-	-	-	-	-	172.46	26.69	18.70	-	217.85	206.06	68.34	222.26	-	496.66
		Provision thereon	1.50	-	1.57	-	3.07	-	-	-	-	-	4.00	1.62	0.77	-	6.39	5.50	1.62	2.34	-	9.46

* *Excludes the figures of standard restructured advances which do not attract higher provisioning or risk weight*

^ *These are restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year.*

include ₹ 14.80 crore of additional sanction (5 accounts and provision ₹ 6.11 crore) to existing restructured accounts in CDR and Other package

include ₹ 10.79 crore (10 accounts and provision ₹ 5.18 crore) in existing restructured accounts by way of recovery and ₹1.01 crore (2 accounts and provision ₹0.17 crore) is no longer required to be reported as restructured

- **Disclosure on accounts subjected to restructuring for the year ended March 31, 2015:**

(₹ Crore, except numbers)

Sr. No	Type of Restructuring		Under Corporate Debt Restructuring (CDR) Mechanism					Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism					Others					Total				
	Asset Classification → Details ↓		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1		No. of borrowers	2	-	10	-	12	-	-	-	-	-	4	2	1	-	7	6	2	11	-	19

Sr. No	Type of Restructuring		Under Corporate Debt Restructuring (CDR) Mechanism					Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism					Others					Total				
	Asset Classification → / Details ↓		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
	Restructured accounts as on April 1, 2014*	Amount outstanding	67.08	-	385.08	-	452.16	-	-	-	-	-	12.64	18.80	7.87	-	39.31	79.72	18.80	392.95	-	491.47
		Provision thereon	-	-	17.83	-	17.83	-	-	-	-	-	0.19	-	0.03	-	0.22	0.19	-	17.86	-	18.05
2	Fresh restructuring during the year #	No. of borrowers	2	-	-	-	2	-	-	-	-	-	4	-	-	-	4	6	-	-	-	6
		Amount outstanding	34.28	-	0.02	-	34.30	-	-	-	-	-	189.16	-	-	-	189.16	223.44	-	0.02	-	223.46
		Provision thereon	2.10	-	-	-	2.10	-	-	-	-	-	15.98	-	-	-	15.98	18.08	-	-	-	18.08
3	Upgradation to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Advances not shown as restructured standard advances at the beginning of the next year^	No. of borrowers	1				1	-				-	-				-	1				1
		Amount outstanding	30.88				30.88	-				-	-				-	30.88				30.88
		Provision thereon	-				-	-				-	-				-	-				-

Sr. No	Type of Restructuring		Under Corporate Debt Restructuring (CDR) Mechanism					Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism					Others					Total				
	Asset Classification → / Details ↓		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
5	Down gradation of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-2	2	-	-	-	-2	2	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-7.08	+7.08	-	-	-	-7.08	+7.08	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-0.23	+0.23	-	-	-	-0.23	+0.23	-	-	-
6	Write-offs of restructured accounts during the year ##	No. of borrowers	-	-	3	-	3	-	-	-	-	-	-	1	-	-	1	-	1	3	-	4
		Amount outstanding	-	-	148.22	-	148.22	-	-	-	-	-	2.40	16.86	0.13	-	19.39	2.40	16.86	148.35	-	167.61
7	Restructured accounts as on March 31, 2015*	No. of borrowers	3	-	7	-	10	-	-	-	-	-	6	3	1	-	10	9	3	8	-	20
		Amount outstanding	70.48	-	236.88	-	307.36	-	-	-	-	-	192.32	9.02	7.74	-	209.08	262.80	9.02	244.62	-	516.44
		Provision thereon	2.10	-	5.78	-	7.88	-	-	-	-	-	16.02	0.23	1.34	-	17.59	18.12	0.23	7.12	-	25.47

* *Excludes the figures of standard restructured advances which do not attract higher provisioning or risk weight*

^ *These are restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year.*

\# *include ₹ 4.00 crore of additional sanction (2 accounts and provision Nil) to existing restructured accounts in CDR package*

\## *include ₹ 8.69 crore (12 accounts and provision ₹ 11.45 crore) to existing restructured accounts by way of recovery and ₹ 111.27 crore (3 accounts and provision ₹ 5.5 crore) reduction from existing restructured account as CDR package is revoked*

- Details of financial assets sold during the year to securitisation/reconstruction companies (SC/RC) for asset reconstruction are as under:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Number of accounts	1	3
Aggregate value (net of provisions) of accounts sold to SC/RC	3.96	313.59
Aggregate considerations	2.95	296.45
Additional consideration realised in respect of accounts transferred in earlier years	-	7.86
Aggregate gain/(loss) over net book value	(1.01)	(17.14)

- **Details of book value of investment in security receipts backed by NPAs :**

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
(i) Backed by NPAs sold by the Bank as underlying	203.80	219.72
(ii) Backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	36.05	42.86
Total	**239.85**	**262.58**

- During the years ended March 31, 2016 and March 31, 2015, no non-performing financial assets were sold, excluding those sold to SC/RC.

- During the years ended March 31, 2016 and March 31, 2015, no non-performing financial assets were purchased by the Bank.

- Securitised assets as per books of SPVs sponsored by the Bank :

There are no SPVs sponsored by the Bank as at March 31, 2016 and as at March 31, 2015.

12. Details of exposures to real estate and capital market sectors, risk category-wise country exposures, factoring exposures, single/group borrower exposures, unsecured advances and concentration of deposits, advances, exposures and NPAs

- **Details of exposure to real estate sector**

Exposure is higher of limits sanctioned or the amounts outstanding as at the year end.

(₹ crore)

Category	March 31, 2016	March 31, 2015
a) Direct exposure	**49,428.76**	**36,278.61**
(i) Residential mortgages*	32,245.03	24,678.61
(of which housing loans eligible for inclusion in priority sector advances)	(18,697.97)	(19,310.94)
(ii) Commercial real estate	17,118.59	11,471.80
(iii) Investments in mortgage backed securities (MBS) and other securitised exposures:		
a. Residential	65.14	128.20
b. Commercial real estate	-	-
b) Indirect exposure	**14,490.76**	**10,007.37**
Fund based and non-fund based exposures on National Housing Bank (NHB) and housing finance companies (HFCs)	14,490.76	10,007.37
Total exposure to real estate sector	**63,919.52**	**46,285.98**

* *includes loans purchased under the direct loan assignment route*

Of the above, exposure to real estate developers as at March 31, 2016 is 0.5 % (previous year: 0.3%) of total advances.

- **Details of capital market exposure**

Exposure is higher of limits sanctioned or the amount outstanding as at the year end.

(₹ crore)

S. No.	Particulars	March 31, 2016	March 31, 2015
(i)	Direct investments made 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	86.50	72.61
(ii)	Advances against shares, bonds, debentures or other securities or on clean basis to individuals for investment in shares (including IPO's/ESOP's), convertible bonds, convertible debentures and units of equity oriented mutual funds	158.75	166.37
(iii)	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	3,133.85	1,636.51
(iv)	Advances for any other purposes to the extent secured by collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	48.31	30.81
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	6,881.17	6,462.82
(vi)	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	2,576.32	1,888.90
(vii)	Bridge loans to companies against expected equity flows/issues	-	-
(viii)	Underwriting commitments taken up in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
(ix)	Financing to stockbrokers for margin trading	-	-
(x)	All exposures to venture capital funds (both registered and unregistered)	0.20	1.70
	Total exposure to capital market	**12,885.10**	**10,259.72**

- **Details of risk category wise country exposure**

(₹ crore)

Risk Category	March 31, 2016		March 31, 2015	
	Exposure (Net)	Provision held	Exposure (Net)	Provision held
Insignificant	13,857.28	-	11,561.34	-
Low	8,222.23	-	6,802.22	-
Moderately low	370.13	-	123.03	-
Moderate	143.82	-	63.62	-
Moderately high	20.23	-	1.67	-
High	5.25	-	0.97	-
Very High	-	-	-	-
Total	**22,618.94**	-	**18,552.85**	-

- **Details of factoring exposure**

The factoring exposure of the Bank as on March 31, 2016 is ₹3,515.98 crore (previous year: ₹ 3,298.59 crore)

- **Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the Bank**

The RBI has prescribed single and group borrower exposure limits linked to a bank's capital funds and such limits can be enhanced by a further 5 percent thereof with the approval of the Board of Directors of the bank. During the year ended March 31, 2016 the Bank was within the limits prescribed by the RBI. During the year ended March 31, 2015 the Bank's exposure to single and group borrowers were within the limits prescribed by RBI except, with the prior approval of the Board of the Bank, in respect of single borrower limits for Reliance Industries Limited.

- **Unsecured advances**

  Advances for which intangible collaterals such as rights, licenses, authority etc. are charged in favour of the Bank in respect of projects financed by the Bank, are reckoned as unsecured advances under Schedule 9 of the Balance Sheet in line with extant RBI guidelines. There are no such advances outstanding as on March 31, 2016 (previous year: Nil).

- **Inter-bank Participation with risk sharing**

  The aggregate amount of participation issued by the Bank and reduced from advances as per regulatory guidelines as of March 31, 2016 was ₹ 6,450 crore (previous year: ₹ 7,600.00 crore).

Concentration of deposits, advances, exposures and NPAs

a) Concentration of deposits

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Total deposits of twenty largest depositors	28,890.12	28,137.41
Percentage of deposits of twenty largest depositors to total deposits of the Bank	5.3%	6.2%

b) Concentration of advances

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Total advances to twenty largest borrowers	81,781.38	67,842.14
Percentage of advances of twenty largest borrowers to total advances of the Bank	11.9%	12.5%

Advances comprise credit exposure (funded and non-funded credit limits) including derivative transactions computed as per Current Exposure Method in accordance with RBI guidelines.

c) Concentration of exposure

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Total exposure to twenty largest borrowers/ customers	89,137.40	83,922.23
Percentage of exposure of twenty largest borrowers/ customers to total exposure of the Bank on borrowers/ customers	12.3%	14.3%

Exposures comprise credit exposure (funded and non-funded credit limits) including derivative transactions and investment exposure in accordance with RBI guidelines.

d) Concentration of NPAs

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Total gross exposure to top four NPA accounts	497.16	348.83

e) Sector-wise advances

(₹ crore)

Sr. No.	Sector	March 31, 2016			March 31, 2015		
		Outstanding Total Advances	Gross Non-Performing Loans	Percentage of Gross Non-Performing Loans to Total Advances in that sector	Outstanding Total Advances	Gross Non-Performing Loans	Percentage of Gross Non-Performing Loans to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture and allied activities	52,867.24	764.18	1.45%	39,244.74	511.52	1.30%
2	Advances to industries eligible as priority sector lending	24,059.96	386.90	1.61%	18,426.43	280.00	1.52%
3	Services	44,202.22	431.43	0.98%	27,045.25	293.85	1.09%
4	Personal loans	21,730.26	79.58	0.37%	22,182.38	77.54	0.35%
	Sub-total (A)	**1,42,859.68**	**1,662.09**	**1.16%**	**106,898.80**	**1,162.91**	**1.09%**
B	**Non Priority Sector**						
1	Agriculture and allied activities	7,303.08	85.77	1.17%	360.25	8.81	2.45%
2	Industry	98,854.02	793.83	0.80%	74,595.34	649.16	0.87%
3	Services	1,04,002.56	967.17	0.93%	92,033.54	923.78	1.00%
4	Personal loans	1,14,560.04	788.74	0.69%	93,999.91	521.15	0.55%
	Sub-total (B)	**3,24,719.70**	**2,635.51**	**0.81%**	**260,989.04**	**2,102.90**	**0.81%**
	Total (A) + (B)	**4,67,579.38**	**4,297.60**	**0.92%**	**367,887.84**	**3,265.81**	**0.89%**

13. Other fixed assets

Other fixed assets includes amount capitalised relating to software having useful life of five years. Details regarding the same are tabulated below:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Cost		
As at March 31 of the previous year	1,575.65	1,282.08
Additions during the year	161.45	293.63
Deductions during the year	(0.01)	(0.06)
Total (a)	**1,737.09**	**1,575.65**
Depreciation		
As at March 31 of the previous year	1,022.83	857.49
Charge for the year	195.71	165.40
On deductions during the year	(0.01)	(0.06)

Particulars	March 31, 2016	March 31, 2015
Total (b)	**1,218.53**	**1,022.83**
Net value (a-b)	**518.56**	**552.82**

14. Other assets

- Other assets include deferred tax asset (net) of ₹ 2,116.62 crore (previous year: ₹ 1,950.74 crore). The break-up of the same is as follows:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Deferred tax asset arising out of:		
Loan loss provisions	1,748.18	1,599.07
Employee benefits	148.17	114.51
Others	314.12	310.09
Total (a)	**2,210.47**	**2,023.67**
Deferred tax liability arising out of:		
Depreciation	(93.85)	(72.93)
Total (b)	**(93.85)**	**(72.93)**
Deferred tax asset (net) (a-b)	**2,116.62**	**1,950.74**

- Key items under "Others" in Other assets are as under:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Deposit with NABARD / SIDBI / NHB - PSL shortfall	13,719.68	14,818.19
Unrealised gain on foreign exchange and derivative contracts*	8,566.14	7,199.56
Deferred tax assets	2,116.62	1,950.74
Deposits & amounts paid in advance	1,282.19	1,234.97
Accounts receivable	1,274.66	933.25
Margin for LAF with RBI	1,344.51	200.00
Residual items	2.41	10.80
Total	**28,306.21**	**26,347.51**

* *The Bank has presented gross unrealised gain on foreign exchange and derivative contracts under other assets and gross unrealised loss on foreign exchange and derivative contracts under other liabilities.*

15. Maturity pattern of key assets and liabilities

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI.

(₹ crore)

As at March 31, 2016	1 day	2 to 7 days	8 to 14 days	15 to 30 days*	31 days to 2 months*	2 months to 3 months*	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans & advances	5,899.80	9,363.35	6,715.02	20,239.90	22,687.23	20,790.59	34,648.74	61,882.67	207,986.19	40,680.30	33,700.17	464,593.96
Investments	14,316.76	7,351.78	6,909.17	12,010.84	13,677.05	8,799.02	11,515.93	13,973.17	45,249.83	3,515.43	26,566.79	163,885.77
Deposits	7,833.76	24,410.58	14,502.58	12,873.38	18,947.05	17,868.01	39,301.81	78,240.13	222,890.76	12,361.51	97,194.62	546,424.19
Borrowings	42.51	2,094.41	1,253.61	2,669.86	5,693.61	2,648.99	3,960.08	10,046.25	8,977.05	1,767.55	13,864.55	53,018.47
Foreign currency assets	3,613.68	5,965.52	2,006.00	6,326.41	4,309.81	3,188.70	5,275.05	15,829.01	5,571.21	1,326.15	603.60	54,015.14
Foreign currency liabilities	828.63	1,429.21	1,553.38	3,620.26	6,334.19	3,127.67	6,554.33	35,293.92	14,418.24	1,290.48	719.14	75,169.45

* *The bucketing structure has been revised based on the RBI guideline dated March 23, 2016.*

(₹ crore)

As at March 31, 2015	1 day	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans & advances	6,764.59	7,778.78	6,316.87	11,172.07	38,323.22	26,873.66	38,013.90	173,512.31	28,247.41	28,492.22	365,495.03
Investments	34,261.82	3,517.54	5,225.91	4,951.89	13,319.41	8,379.78	13,395.23	37,188.41	2,003.11	29,398.65	151,641.75
Deposits	7,390.14	14,685.74	10,400.51	9,196.91	22,948.57	24,432.11	31,266.55	203,410.51	10,386.61	116,677.99	450,795.64
Borrowings	0.05	1,872.39	1,445.86	1,278.81	7,222.95	1,911.49	2,188.15	14,461.86	2,875.00	11,957.00	45,213.56
Foreign currency assets	2,416.33	4,912.44	1,315.69	4,197.02	7,636.95	4,467.90	2,367.13	18,601.38	1,124.41	232.50	47,271.75
Foreign currency liabilities	731.47	810.48	1,676.86	1,320.11	8,005.42	2,823.16	4,336.73	37,666.57	4,365.14	671.59	62,407.53

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. Maturity profile of foreign currency assets and liabilities is excluding Off Balance Sheet item

16. Provisions, contingent liabilities and contingent assets

Given below is the movement in provisions and a brief description of the nature of contingent liabilities recognised by the Bank.

a) Provision for credit card and debit card reward points

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Opening provision for reward points	200.07	150.91
Provision for reward points made during the year	179.50	112.92
Utilisation / write back of provision for reward points	(73.21)	(63.76)
Closing provision for reward points	306.36	200.07

b) Provision for legal and other contingencies

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Opening provision	354.91	352.61
Movement during the year (net)	(10.35)	2.30
Closing provision	344.56	354.91

c) Description of contingent liabilities

Sr. No.	Contingent liability*	Brief description
1	Claims against the Bank not acknowledged as debts - taxation	The Bank is a party to various taxation matters in respect of which appeals are pending. The Bank expects the outcome of the appeals to be favorable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and the provisions of Income Tax Act, 1961.
2	Claims against the Bank not acknowledged as debts - others	The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
3	Liability on account of forward exchange and derivative contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants 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 one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts of financial instruments such as foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the Balance Sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms.
4	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities, the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the Bank's customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
5	Other items for which the Bank is contingently liable	These include: a) Credit enhancements in respect of securitized-out loans; b) Bills rediscounted by the Bank; c) Capital commitments; d) Underwriting commitments.

* *Also refer Schedule 12 - Contingent liabilities*

17. Business ratios / information

Particulars	March 31, 2016	March 31, 2015
Interest income as a percentage to working funds[1]	9.40%	9.59%
Net interest income as a percentage to working funds	4.31%	4.43%
Non-interest income as a percentage to working funds	1.68%	1.78%
Operating profit[2] as a percentage to working funds	3.34%	3.44%
Return on assets (average)	1.92%	2.02%
Business[3] per employee (₹ in crore)	11.39	10.10
Profit per employee[4] (₹ in crore)	0.15	0.10
Gross non-performing assets to gross advances[5]	0.94%	0.93%
Gross non-performing advances to gross advances	0.92%	0.89%
Percentage of net non-performing assets[6] to net advances[7]	0.28%	0.25%
Provision Coverage Ratio[8]	69.94%	73.93%

Definitions of certain items in Business Ratios/ Information:

1. *Working funds is the daily average of total assets during the year.*

2. *Operating profit is net profit for the year before provisions and contingencies.*

3. *"Business" is the total of net advances and deposits (net of inter-bank deposits).*

4. *Productivity ratios are based on average employee numbers.*

5. *Gross advances are net of bills rediscounted and interest in suspense.*

6. *Net NPAs are non-performing assets net of interest in suspense, specific provisions, ECGC claims received, provisions for funded interest term loans classified as NPAs and provisions in lieu of diminution in the fair value of restructured assets classified as NPAs.*

7. *Net advances are equivalent to gross advances net of specific loan loss provisions, ECGC claims received, provision for funded interest term loans classified as NPA and provisions in lieu of diminution in the fair value of restructured assets.*

8. *Provision coverage ratio does not include assets written off.*

18. Interest income

Interest income under the sub-head Income from Investments includes dividend received during the year ended March 31, 2016 on units of mutual funds, equity and preference shares amounting to ₹ 182.03 crore (previous year: ₹ 192.58 crore).

19. Earnings from standard assets securitised-out

There are no Special Purpose Vehicles ('SPV's) sponsored by the Bank for securitisation transactions. During the years ended March 31, 2016 and March 31, 2015, there were no standard assets securitised-out by the Bank.

Form and quantum of services and liquidity provided by way of credit enhancement

The Bank has provided credit and liquidity enhancements in the form of cash collaterals / guarantees / subordination of cash flows etc., to the senior Pass Through Certificates ('PTC's) as well as on loan assignment transactions. The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines. The total value of credit enhancement outstanding in the books as at March 31, 2016 was ₹ 225.65 crore (previous year: ₹ 345.79 crore), and liquidity enhancement was ₹ Nil (previous year: ₹ 8.10 crore). Outstanding servicing liability was ₹ 0.10 crore (previous year: ₹ 0.14 crore).

20. Other income

- **Commission, exchange and brokerage income**
  - ✓ Commission, exchange and brokerage income is net of correspondent bank charges.

- ✓ Commission income for the year ended March 31, 2016 includes fees of ₹ 661.75 crore (previous year: ₹ 454.01 crore) in respect of life insurance business and ₹ 156.13 crore (previous year: ₹ 137.07 crore) in respect of general insurance business.

- **Miscellaneous income**

  Miscellaneous income includes recoveries from written-off accounts amounting to ₹ 807.99 crore (previous year: ₹ 716.33 crore).

21. Other expenditure

Other expenditure includes outsourcing fees amounting to ₹ 764.76 crore (previous year: ₹ 671.38 crore) and commission paid to sales agents amounting to ₹ 1,671.88 crore (previous year: ₹ 1,305.11 crore), exceeding 1% of the total income of the Bank.

22. Provisions and contingencies

The break-up of provisions and contingencies included in the Statement of Profit and Loss is given below:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Provision for income tax		
- Current	6,507.59	5,204.03
- Deferred	(165.88)	(91.23)
Provision for wealth tax	-	0.75
Provision for NPAs	2,133.63	1,723.58
Provision for diminution in value of non-performing investments	15.17	(3.82)
Provision for standard assets	440.00	296.25
Other provisions and contingencies*	136.81	59.00
Total	**9,067.32**	**7,188.56**

* *Includes provisions for tax, legal and other contingencies ₹ 37.28 crore (previous year: ₹ 36.47 crore), floating provisions ₹ 115.00 crore (previous year: Nil), provisions/(write back) for securitised-out assets ₹ (2.85) crore (previous year: ₹ 4.60 crore) and standard restructured assets ₹ (12.62) crore (previous year: ₹ 17.93 crore).*

23. Employee benefits

Gratuity

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	310.59	237.43
Interest cost	22.38	18.24
Current service cost	53.78	50.47
Benefits paid	(24.30)	(15.99)
Actuarial (gain) / loss on obligation:		
Experience adjustment	16.24	4.59
Assumption change	11.78	15.85
Present value of obligation as at March 31	**390.47**	**310.59**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	242.88	172.60
Expected return on plan assets	21.23	16.62
Contributions	61.81	48.30
Benefits paid	(24.30)	(15.99)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	(13.69)	21.35
Assumption change	-	-
Fair value of plan assets as at March 31	**287.93**	**242.88**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	287.93	242.88
Present value of obligation as at March 31	(390.47)	(310.59)

Particulars	March 31, 2016	March 31, 2015
Asset / (liability) as at March 31	**(102.54)**	**(67.71)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	22.38	18.24
Current service cost	53.78	50.47
Expected return on plan assets	(21.23)	(16.62)
Net actuarial (gain) / loss recognised in the year	41.71	(0.91)
Net cost	**96.64**	**51.18**
Actual return on plan assets	7.54	37.97
Estimated contribution for the next year	47.95	61.64
Assumptions		
Discount rate	7.5% per annum	7.9% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.0% per annum	8.0% per annum

Experience adjustment

(₹ crore)

Particulars	Years ended March 31				
	2016	**2015**	**2014**	**2013**	**2012**
Plan assets	287.93	242.88	172.60	130.22	91.86
Defined benefit obligation	390.47	310.59	237.43	206.28	166.30
Surplus/(deficit)	(102.54)	(67.71)	(64.83)	(76.06)	(74.44)
Experience adjustment gain/(loss) on plan assets	(13.69)	21.35	1.87	2.00	(0.93)
Experience adjustment (gain)/loss on plan liabilities	16.24	4.59	5.87	2.72	1.25

Expected rate of return on investments is determined based on the assessment made by the Bank at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as of March 31, 2016 are given below:

Category of plan assets	% of fair value to total plan assets
	March 31, 2016
Government securities	33.3%
Debenture and bonds	23.1%
Equity shares	37.2%
Others	6.4%
Total	100.0%

Pension

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	57.45	58.89
Interest cost	3.92	4.37
Current service cost	1.12	1.02
Benefits paid	(10.18)	(7.94)
Actuarial (gain) / loss on obligation:		
Experience adjustment	17.35	(0.19)
Assumption change	1.22	1.30
Present value of obligation as at March 31	**70.88**	**57.45**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	41.91	47.99
Expected return on plan assets	3.21	3.60
Contributions	2.01	0.64
Benefits paid	(10.18)	(7.94)
Actuarial gain / (loss) on plan assets:		

Particulars	**March 31, 2016**	**March 31, 2015**
Experience adjustment	1.43	(2.38)
Assumption change	-	-
Fair value of plan assets as at March 31	**38.38**	**41.91**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	**38.38**	41.91
Present value of obligation as at March 31	**(70.88)**	(57.45)
Asset / (liability) as at March 31	**(32.50)**	**(15.54)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	3.92	4.37
Current service cost	1.12	1.02
Expected return on plan assets	(3.21)	(3.60)
Net actuarial (gain) / loss recognised in the year	17.14	3.48
Net cost	**18.97**	**5.27**
Actual return on plan assets	4.64	1.22
Estimated contribution for the next year	14.00	15.70
Assumptions		
Discount rate	7.5% per annum	7.9% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.0% per annum	8.0% per annum

Experience adjustment

(₹ crore)

Particulars	**Years ended March 31**				
	2016	**2015**	**2014**	**2013**	**2012**
Plan assets	38.38	41.91	47.99	48.88	51.14
Defined benefit obligation	70.88	57.45	58.89	58.19	56.85
Surplus / (deficit)	(32.50)	(15.54)	(10.90)	(9.31)	(5.71)
Experience adjustment gain/(loss) on plan assets	1.43	(2.38)	3.45	(1.58)	(1.29)
Experience adjustment (gain)/loss on plan liabilities	17.35	(0.19)	3.62	6.12	1.36

Expected rate of return on investments is determined based on the assessment made by the Bank at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as of March 31, 2016 are given below:

Category of plan assets	**% of fair value to total plan assets**
	March 31, 2016
Government securities	6.6%
Debenture and bonds	83.3%
Others	10.1%
Total	100.0%

Provident fund

The guidance note on AS-15, Employee Benefits, states that employer established provident funds, where interest is guaranteed are to be considered as defined benefit plans and the liability has to be valued. The Institute of Actuaries of India (IAI) has issued a guidance note on valuation of interest rate guarantees on exempt provident funds. The actuary has accordingly valued the same and the Bank held a provision of

₹ Nil as on March 31, 2016 (previous year: ₹ 0.52 crore), towards the present value of the guaranteed interest benefit obligation. The actuary has followed Deterministic approach as prescribed by the guidance note.

Assumptions:

Assumptions	**March 31, 2016**	**March 31, 2015**
Discount rate (GOI security yield)	7.5 % per annum	7.9% per annum
Expected guaranteed interest rate	9.0 % per annum	9.0% per annum

The Bank does not have any unfunded defined benefit plan. The Bank contributed ₹ 188.94 crore (previous year: ₹ 160.02 crore) to the provident fund and ₹ 56.54 crore (previous year: ₹ 53.68 crore) to the superannuation plan.

Compensated absences

The actuarial liability of compensated absences of accumulated privileged and sick leaves of the employees of the Bank is given below:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Privileged leave	222.07	185.75
Sick leave	47.40	38.26
Total actuarial liability	**269.47**	**224.01**
Assumptions		
Discount rate	7.5% per annum	7.9% per annum
Salary escalation rate	8.0% per annum	8.0% per annum

24. Disclosures on remuneration

Qualitative Disclosures

A. Information relating to the bodies that oversee remuneration.

Name and composition

The Board of Directors of the Bank has constituted the Nomination and Remuneration Committee (hereinafter, the 'NRC') for overseeing and governing the compensation policies of the Bank. The NRC is comprised of four independent directors and is chaired by the Board of Directors of the Bank. Further, two members of the NRC are also members of the Risk Policy and Monitoring Committee (hereinafter, the 'RPMC') of the Board.

The NRC is comprised of the Chairperson, Mrs. Shyamala Gopinath, Mr. A N Roy, Mr. Partho Datta and Mr. Bobby Parikh. Further, Mrs. Shyamala Gopinath and Mr. Partho Dutta are also members of the RPMC. Mr. Bobby Parikh is the chairperson of the NRC.

Mandate of the NRC

The primary mandate of the NRC is to oversee the implementation of compensation policies of the Bank.

The NRC periodically reviews the overall compensation policy of the Bank with a view to attract, retain and motivate employees. In this capacity it is required to review and approve the design of the total compensation framework, including compensation strategy programs and plans, on behalf of the Board of Directors. The compensation structure and pay revision for Whole Time Directors is also approved by the NRC. The NRC co-ordinates with the RPMC to ensure that compensation is aligned with prudent risk taking.

External Consultants

The Bank employed the services of the following consulting firms in the area of compensation and benefits and human resources.

AON: The Bank employed the services of AON in the area of Compensation Market Benchmarking, and Executive Compensation. AON, apart from being a globally reputed consulting firm, has the longest running year on year banking study in India and was found to be the most appropriate by the NRC.

Ernst and Young: The Bank employed the services of Ernst and Young to review the compensation policy of the Bank in light of the best in class practices in the banking industry.

Mercer Consulting: The Bank employed the services of Mercer Consulting in the area of Job Evaluation. Mercer's International Position Evaluation system is a globally reputed job evaluation tool.

Scope of the Bank's remuneration policy:

The Remuneration Policy of the Bank includes within it's scope all business lines, all permanent staff in its domestic as well as international offices. Further the principles articulated in the compensation policy are universal however in the event there are any statutory provisions in overseas locations the same shall take precedence over the remuneration policy of the Bank.

All permanent employees of the Bank except those covered under the long term wage agreement are covered by the said compensation policy. The number of employees covered under the compensation policy was 87,555 as of March 31, 2016 (previous year: 76,286).

B. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy

I. Key Features and Objectives of Remuneration Policy

The Bank's Compensation Policy (hereinafter, the 'Policy') is aligned to business strategy, market dynamics, internal characteristics and complexities within the Bank. The ultimate objective of the Policy is to provide a fair and transparent structure that helps in retaining and acquiring the talent pool critical to build competitive advantage and brand equity. The Policy has been designed basis the principles for sound compensation practices in accordance with regulatory requirements and provides a framework to create, modify and maintain appropriate compensation programs and processes with adequate supervision and control.

The Bank's performance management system provides a sound basis for assessing employee performance holistically. The Bank's compensation framework is aligned with the performance management system and differentiates pay appropriately amongst its employees based on degree of contribution, skill and availability of talent owing to competitive market forces by taking into account factors such as role, skills, competencies, experience and grade/seniority.

The NRC reviews the following critical principles enunciated in the policy and ensures that:

(a) the compensation is adjusted for all types of prudent risk taking;

(b) compensation outcomes are symmetric with risk outcomes;

(c) compensation payouts are sensitive to the time horizon of risk; and

(d) the mix of cash, equity and other forms of compensation are aligned with risk.

II. Design and Structure of Remuneration

a) Fixed Pay

The NRC ensures that the fixed component of the compensation is reasonable, taking into account all relevant factors including industry practice.

Elements of Fixed Pay

The fixed pay component of the Bank's compensation structure typically consists of elements such as base salary, allowances, perquisites, retirement and other employee benefits. Perquisites extended are in the nature of company car, hard furnishing, company leased accommodation, club membership and such other benefits or allowances in lieu of such perquisites/ benefits. Retirement benefits include contributions to provident fund, superannuation fund (for certain job bands) and gratuity. The whole time directors of the Bank are entitled to other post-retirement benefits such as car and medical facilities, in accordance with specified terms of employment as per the policy of the Bank, subject to RBI approval. The Bank also provides pension to certain employees of the erstwhile Lord Krishna Bank (eLKB) under the Indian Banks' Association ('IBA') structure.

Determinants of Fixed Pay

The fixed pay is primarily determined by taking into account factors such as the job size, performance, experience, location, market competitiveness of pay and is designed to meet the following key objectives of:

(a) fair compensation given the role complexity and size;

(b) fair compensation given the individual's skill, competence, experience and market pay position;

(c) sufficient contribution to post retirement benefits; and

(d) compliance with all statutory obligations.

For Whole Time Directors additional dimensions such as prominence of leadership among industry leaders, consistency of the Bank's performance over the years on key parameters such as profitability, growth and asset quality in relation to its own past performance and that of its peer banks would be considered. The quantum of fixed pay for Whole Time Directors is approved by the NRC as well as the Board and is subject to the approval of the RBI.

b) Variable Pay

The performance management system forms the basis for variable pay allocation of the Bank. The Bank ensures that the performance management system is comprehensive and considers both, quantitative and qualitative performance measures.

Whole Time Directors

The bonus for Whole Time Directors will not exceed 70% of the fixed pay in a year, thereby ensuring that there is a balance between the fixed and variable pays. The variable pay for Whole Time Directors is approved by the NRC as well as the Board and is subject to the approval of the RBI. The variable pay component is paid out subject to the following conditions:

- Where the variable pay constitutes 50% or more of the fixed pay, a portion of the same would be deferred as per the schedule mentioned in the table below:

Portion of Variable Pay	Timelines
60%	Payable effective April 1 of the financial year immediately following the performance year.
13.33%	Payable effective April 1 of the second financial year following the reference performance year.
13.33%	Payable effective April 1 of the third financial year following the reference performance year.
13.33%	Payable effective April 1 of the fourth financial year following the reference performance year.

- The Bank has devised appropriate malus and claw back clauses as a risk mitigant for any negative contributions of the Bank and/or relevant line of business in any year. Under the malus clause the incumbent foregoes the vesting of the deferred variable pay in full or in part. Under the claw back clause the incumbent is obligated to return all the tranches of payout received of bonus amounts pertaining to the relevant performance year.

Employees Other Than Whole Time Directors

The Bank has formulated the following variable pay plans:

- Annual Bonus Plan

  The quantum of variable payout is a function of the performance of the Bank, performance of the business unit, performance of the individual employee, job band of the employee and the functional category. Basis these key determinants and due adjustment for risk alignment, a payout matrix for variable pay is developed. Market trends for specific businesses/functions along with inputs from compensation surveys may also be used in finalising the payout.

  Bonus pools are designed to meet specific business needs therefore resulting in differentiation in both the quantum and the method of payout across functions. Typically higher levels of responsibility receive a higher proportion of variable pay vis-à-vis fixed pay. The Bank ensures that the time horizon for risk is assessed and the deferment period, if any, for bonus is set accordingly. Employees on the annual bonus plan are not part of performance-linked plans. The following is taken into account while administering the annual bonus:

- ✓ In the event the proportion of variable pay to fixed pay is substantially high (variable pay exceeding 50% of fixed pay), the Bank may devise an appropriate deferment schedule after taking into consideration the nature of risk, time horizon of risk, and the materiality of risk.

- ✓ In cases of deferment of variable pay the Bank makes an assessment prior to the due date for payment of the deferred portion for any negative contribution. The criteria for negative contribution are decided basis pre-defined financial benchmarks. The Bank has in place appropriate methods for prevention of vesting of deferred variable pay or any part thereof, on account of negative contribution. The Bank also has in place claw back arrangements in relation to amounts already paid in the eventuality of a negative contribution.

- Performance-linked Plans (PLPs)

  PLPs are formulated for sales personnel who are given sales targets but have limited impact on risk since credit decisions are exercised independent of the sales function. All PLP payouts are based on a Balanced Scorecard framework and are subject to achievement of individual targets enumerated in the respective scorecards of the employees. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks.

Review of Remuneration Policy of the Bank during the past year:

The Compensation Policy of the bank was reviewed by the NRC. The bank has appointed Ernst and Young a globally reputed consulting firm to assess the compensation policy of the bank in light of best in class practices. The study is currently underway.

c) Guaranteed Bonus

Guaranteed Bonuses may not be consistent with sound risk management or pay for performance principles of the Bank and therefore do not form an integral part of the general compensation practice.

For critical hiring for some select strategic roles, the Bank may consider granting of a sign-on bonus as a prudent way to avoid loading the entire cost of attraction into the fixed component of the compensation which could have a long term cost implication for the Bank. For such hiring, the sign-on bonus is generally decided by taking into account appropriate risk factors and market conditions.

For hiring at levels of Whole Time Directors/Managing Director a sign-on bonus, if any, is limited to the first year only and is in the form of Employee Stock Options.

d) Employee Stock Option Plan ('ESOP's)

The Bank considers ESOPs as a vehicle to create a balance between short term rewards and long term sustainable value creation. ESOPs play a key role in the attraction and retention of key talent. The Bank grants equity share options to its Whole time Directors and other employees above a certain grade. Options are also granted to employees in the talent pool across all levels. All plans for grant of options are framed in accordance with the SEBI guidelines, 1999 as amended from time to time and are approved by the shareholders of the Bank. These plans provide for the grant of options post approval by the NRC.

The grant of options is reviewed and approved by the NRC. The number of options granted varies at the discretion of the NRC after considering parameters such as the incumbent's grade and performance rating, and such other appropriate relevant factors as may be deemed appropriate by the NRC. Equity share options granted to the Whole Time Directors are subject to the approval of the NRC, the Board and the RBI.

e) Severance Pay

The Bank does not grant severance pay other than accrued benefits (such as gratuity, pension) except in cases where it is mandated by any statute.

f) Hedging

The Bank does not provide any facility or fund or permit its Whole Time Directors and employees to insure or hedge their compensation structure to offset the risk alignment effects embedded in their compensation arrangement.

III. Remuneration Processes

Fitment at the time of Hire

Pay ranges of the Bank are set basis the job size, experience, location and the academic and professional credentials of the incumbent.

The compensation of new hires is in line with the existing pay ranges and consistent with the compensation levels of the existing employees of the Bank at similar profiles. The pay ranges are subject to change basis market trends and the Bank's talent management priorities. While the Bank believes in the internal equity and parity as a key determinant of pay it does acknowledge the external competitive pressures of the talent market. Accordingly, there could be certain key profiles with critical competencies which may be hired at a premium and treated as an exception to the overall pay philosophy. Any deviation from the defined pay ranges is treated as a hiring exception requiring approval with appropriate justification.

Increment / Pay Revision

It is the endeavor of the Bank to ensure external competitiveness as well as internal equity without diluting the overall focus on optimizing cost. In order to enhance our external competitiveness the Bank participates in an annual salary survey of the banking sector to understand key market trends as well as get insights on relative market pay position compared to peers. The Bank endeavors to ensure that most employees progress to the median of the market in terms of fixed pay over time. This coupled with key internal data indicators like performance score, job family, experience, job grade and salary budget form the basis of decision making on revisions in fixed pay.

Increments in fixed pay for majority of the employee population are generally undertaken effective April 1 every year. However promotions, confirmations and change in job dimensions could also lead to a change in the fixed pay during other times of the year.

The Bank also makes salary corrections and adjustments during the year for those employees whose compensation is found to be below the market pay and who have a good performance track record. However such pay revisions are done on an exception basis.

Risk, Control and Compliance Staff

The Bank has separated the Risk, Control and Compliance functions from the Business functions in order to create a strong culture of checks and balances thereby ensuring good asset quality and to eliminate any possible conflict of interest between revenue generation and risk management and control. Accordingly, the overall variable pay as well as the annual salary increment of the employees in the Risk, Control and Compliance functions is based on their performance, functional objectives and goals. The Bank ensures that the mix of fixed to variable compensation for these functions is weighted in favour of fixed compensation.

C. Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks

An overview of the key risks that the bank takes into account when implementing remuneration measures

The Bank takes into account all types of risks in its remuneration processes. The Bank takes into consideration the fact that a portion of the Bank's profits are directly attributable to various types of risks the Bank is exposed to, such as credit risk, market risk, operational risk and other quantifiable risks. The Bank uses the capital charge on these risks as a key measure to evaluate the quantum of risk. The Bank takes into consideration the surplus available post adjustment of the cost of capital to cover all such risks and pre bonus profit as the basis for allocation of variable pay. Further the Bank also evaluates the impact of such remuneration on the overall cost to income ratio of the bank. The Bank takes into consideration both Ex-Ante as well as Ex-Post risks. The above mentioned risks are ex-ante in their approach. The Bank also provides for deferment of bonus in the event the proportion of variable pay as compared to fixed pay is substantially high. The Bank has also devised appropriate malus and claw back clauses as a risk mitigant for any negative contributions of the Bank and/or relevant line of business in any year. Under the malus clause, the incumbent foregoes the vesting of the deferred variable pay in full or in part. Under the claw back clause, the incumbent is obligated to return all the tranches of payout received of bonus amounts pertaining to the relevant performance year. This is an ex-post risk management provision.

The Bank also takes into consideration key steps to mitigate talent risk. The key measures here include attrition rate of employees as well as key talent. In order to moderate talent risk the Bank conducts a comprehensive market benchmarking exercise to ensure that employees are competitively positioned against market in terms of fixed, variable as well as long term incentives (LTI).

The risk measures and the models for assessing risk were introduced for the first time in financial year ended March 31, 2013. Post the introduction of the risk models the adjustment of risk for remuneration has become fundamentally more comprehensive and robust in coverage both from an ex-ante as well as an ex-post approach. There have not been any changes to the Bank's risk adjustment model over the past year.

D. Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration

The Bank has a very comprehensive multi-dimensional performance measurement metrics that takes into consideration multiple factors that include qualitative as well as quantitative factors. The following are the key performance measurement metrics for the Bank. These also form part of the key metrics for the measurement of the performance of Wholetime Directors and impact the final remuneration:

A. Business Growth – This includes growth in advances and deposits

B. Profitability – This includes growth in profit after tax

C. Asset Quality – Gross NPA, Net NPA and % of Restructured assets to net advances

D. Financial Soundness – Capital Adequacy Ratio Position and Tier 1 capital

E. Shareholder value creation - Return on equity

F. Financial Inclusion – Growth in number of households covered, growth in the value of loans disbursed under this category and achievement against priority sector lending targets

Most of the above parameters are evaluated in two steps

A. Achievement against the plans of the bank

B. Achievement against the performance of peers.

Apart from the factors related to business growth there is also a key qualitative factor such as regulatory compliance. Compliance is the key qualitative factor that acts as the moderator in the entire organization evaluation process. A low score on compliance can significantly moderate the other performance measures and depending on severity may even nullify their impact.

While the above parameters form the core evaluation parameters for the bank each of the business units are measured on the following from a remuneration standpoint

A. Increase in plan over the previous year

B. Actual growth in revenue over previous year

C. Growth in net revenue (%)

D. Achievement of net revenue against plan (%)

E. Actual Profit before tax

F. Growth in Profit before tax compared to the previous year

G. Current cost to income

H. Improvement in cost to income over the previous year.

Apart from the above the business units are also measured against certain key business objectives that are qualitative in nature.

The process by which levels of remuneration in the Bank are aligned to the performance of the Bank, Business unit and individual employees is articulated below.

Fixed Pay

At the conclusion of every financial year the Bank reviews the fixed pay portion of the compensation structure basis merit-based increments and market corrections. These are based on a combination of performance rating, job band and the functional category of the individual employee. For a given job band, the merit increment is directly related to the performance rating. The Bank strives to ensure that most employees progress to the median of the market in terms of fixed pay over time. All other things remaining equal, the correction percentage is directly related to the performance rating of the individual.

Variable Pay

Basis the performance of the business unit, individual performance and role, the Bank has formulated the following variable pay plans:

- **Annual Bonus Plan**

  The Bank's annual bonus is computed as a percentage of the gross salary for every job band. The bonus multiple is based on performance of the business unit (based on the parameters above), performance rating, job band and the functional category of the individual employee. The business performance re categorized into different performance levels. The performance level determines the multiplier for the Bonus. All other things remaining equal, for a given job band, the bonus is directly related to the performance rating. The proportion of variable pay to fixed pay increases with job band. Employees on the annual bonus plan are not part of the PLPs.

- **Performance-linked Plans (PLPs)**

  The Bank has formulated PLPs for its sales personnel who are given sales targets basis a balanced scorecard methodology. All PLP payouts are subject to the achievement of individual targets enumerated in the respective scorecards of the employees and moderated by qualitative parameters. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks.

E. Description of the ways in which the bank seeks to adjust remuneration to take account of the longer term performance

A discussion of the Bank's policy on deferral and vesting of variable remuneration and a discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting

Whole Time Directors

The bonus for Whole Time Directors will not exceed 70% of the fixed pay in a year, thereby ensuring that there is a balance between the fixed and variable pay. The variable pay for Whole Time Directors is approved by the NRC as well as the Board and is subject to the approval of the RBI. The variable pay component is paid out subject to the following conditions:

- Where the variable pay constitutes 50% or more of the fixed pay, an appropriate portion thereof is deferred and vests as per the schedule mentioned in the table below:

Portion of Variable Pay	Timelines
60%	Payable effective April 1 of the financial year immediately following the performance year.
13.33%	Payable effective April 1 of the second financial year following the reference performance year.
13.33%	Payable effective April 1 of the third financial year following the reference performance year.
13.33%	Payable effective April 1 of the fourth financial year following the reference performance year.

- The Bank has devised appropriate malus and claw back clauses as a risk mitigant for any negative contributions of the Bank and/or relevant line of business in any year.

  ✓ Malus Clause

  Under the malus clause the incumbent foregoes the vesting of the deferred variable pay in full or in part. In the event there is a deterioration in specific performance criteria (such as criteria relating to profit or asset quality) that are laid down by the NRC, then the NRC would review the deterioration in the performance taking into consideration the macroeconomic environment as well as internal performance indicators and accordingly decide whether any part of the deferred tranche pertaining to that financial year merits a withdrawal.

  ✓ Claw back Clause

  Under the claw back clause the incumbent is obligated to return all the tranches of payout received of bonus amounts pertaining to the relevant performance year. In the event there is any act attributable to the concerned Whole Time Director / Managing Director resulting in an incident of willful and deliberate misinterpretation/misreporting of financial performance (inflating the financials) of the Bank, for a financial year, which comes to light in the subsequent three years, the incumbent is obligated to return all the tranches of payout received of bonus amounts pertaining to the relevant performance year.

  The specific criteria on the applicability of malus and claw back arrangements are reviewed by the NRC annually.

  Employees Other Than Whole Time Directors

  The Bank has formulated the following variable pay plans:

- Annual Bonus Plan

  The quantum of variable payout is a function of the performance of the Bank, performance of the individual employee, job band of the employee and the functional category. Basis these key determinants and due adjustment for risk alignment, a payout matrix for variable pay is developed. Market trends for specific businesses / functions along with inputs from compensation surveys may also be used in finalising the payout.

  Bonus pools are designed to meet specific business needs therefore resulting in differentiation in both the quantum and the method of payout across functions. Typically higher levels of responsibility receive a higher proportion of variable pay vis-à-vis fixed pay. The Bank ensures that the time horizon for risk is assessed and the deferment period, if any, for bonus is set accordingly. Employees on the annual bonus plan are not part of the PLPs. The following is taken into account while administering the annual bonus:

  ✓ In the event the proportion of variable pay to fixed pay is substantially high (typically variable pay exceeding 50% of fixed pay), the Bank may devise an appropriate deferment schedule after taking into consideration the nature of risk, time horizon of risk, and the materiality of risk.

  ✓ In cases of deferment of variable pay the Bank makes an assessment prior to the due date for payment of the deferred portion for any negative contribution. The criteria for negative contribution are decided basis pre-defined financial benchmarks. The Bank has in place appropriate methods for prevention of vesting of deferred variable pay or any part thereof, on account of negative contribution. The Bank also has in place claw back arrangements in relation to amounts already paid in the eventuality of a negative contribution.

- Performance-linked Plans (PLPs)

  PLPs are formulated for sales personnel who are given sales targets but have limited impact on risk since credit decisions are exercised independent of the sales function. All PLP payouts are subject to the achievement of individual targets enumerated in the respective scorecards of the employees. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks.

F. Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the Bank utilizes and the rationale for using these different forms.

The Bank recognises the importance of variable pay in reinforcing a pay for performance culture. Variable pay stimulates employees to stretch their abilities to exceed expectations.

- **Annual Bonus Plan**

  These are paid to reward performance for a given financial year. This covers all employees and excludes employees receiving PLP payouts. This is based on performance of the business unit, performance rating, job band and functional category of the individual. For higher job bands the proportion of variable pay to total compensation tends to be higher.

- **Performance-linked Plans (PLPs)**

  These are paid to frontline sales staff for the achievement of specific sales targets but have limited impact on risk as credit decisions are exercised independent of the sales function. Further, it has been the endeavor of the Bank to ensure that the objectives set are based on the principles of a balanced scorecard that takes into account quantitative and qualitative measures rather than just the achievement of financial numbers. Further all PLPs have inherent risk adjustment mechanisms manifested in the form of deterrents. All PLP payouts are subject to the achievement of parameters , both qualitative and quantitative enumerated in the respective scorecards of the employees. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks.

- **Employee Stock Option Plan**

  This is to reward for contribution of employees in creating a long term, sustainable earnings and enhancing shareholder value. Only employees in a certain job band and with a specific performance rating are eligible for Stock Options. Performance is the key criteria for granting stock options.

Quantitative Disclosures

The quantitative disclosures cover the Bank's Whole Time Directors and Key Risk Takers. Key Risk Takers are individuals who can materially set, commit or control significant amounts of the Bank's resources, and/or exert significant influence over its risk profile. The Bank's Key Risk Takers include Whole Time Directors, Group Heads, Business Heads directly reporting to the Managing Director and select roles in the Bank's Treasury and Investment Banking functions.

Sr. No	Subject	March 31, 2016	March 31, 2015
(a)	Number of meetings held by the NRC during the financial year and remuneration paid to its members	Number of meetings: 9 Remuneration paid: ₹ 0.17 crore	Number of meetings: 5 Remuneration paid: ₹ 0.04 crore
(b) (i)	Number of employees having received a variable remuneration award during the financial year	30 employees	23 employees
(b) (ii)	Number and total amount of sign-on awards made during the financial year	None	None
(b) (iii)	Number and total amount of guaranteed bonuses awarded during the financial year	None	None
(b) (iv)	Details of severance pay, in addition to accrued benefits, if any	None	None

Sr. No	Subject	March 31, 2016	March 31, 2015
(c) (i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 3.13 crore.	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 1.81 crore.
(c) (ii)	Total amount of deferred remuneration paid out in the financial year	₹ 1.20 crore	₹ 1.20 crore
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	₹ 46.04 crore (Fixed*) ₹ 9.75 crore (variable pay pertaining to financial year ended March 31, 2015, in relation to employees where there was no deferment of pay). ₹ 6.32 crore (variable pay pertaining to financial year ended March 31, 2015, in relation to employees where there was a deferment of pay), of which ₹ 3.79 crore was non-deferred variable pay and ₹ 2.53 crore was deferred variable pay. Number of stock options granted during the financial year: 40,86,600	₹ 34.58 crore (Fixed*) ₹ 10.48 crore (variable pay pertaining to financial year ended March 31, 2014, in relation to employees where there was no deferment of pay). Deferred variable pay pertaining to financial year ended March 31, 2014: Nil Number of stock options granted during the financial year: 30,42,000
(e) (i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 3.13 crore.	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 1.81 crore.
(e) (ii)	Total amount of reductions during the financial year due to ex-post explicit adjustments.	Nil	Nil
(e) (iii)	Total amount of reductions during the financial year due to ex-post implicit adjustments	Nil	Nil
(e) (iv)	Total amount of reductions during the financial year due to ex- post implicit adjustments	Nil	Nil

* *Excludes gratuity benefits, since the same is computed at Bank level.*

25. Segment reporting

Business Segments

Business segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by RBI. The Bank operates in the following segments:

a) Treasury

The treasury segment primarily consists of net interest earnings from the Bank's investment portfolio, money market borrowing and lending, gains or losses on investment operations and on account of trading in foreign exchange and derivative contracts.

b) Retail Banking

The retail banking segment serves retail customers through a branch network and other delivery channels. This segment raises deposits from customers and provides loans and other services to customers with the help of specialist product groups. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof.

Revenues of the retail banking segment are derived from interest earned on retail loans, interest earned from other segments for surplus funds placed with those segments, subvention received from dealers and manufacturers, fees from services rendered, foreign exchange earnings on retail products etc. Expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.

c) Wholesale banking

The wholesale banking segment provides loans, non-fund facilities and transaction services to large corporates, emerging corporates, public sector units, government bodies, financial institutions and medium scale enterprises. Revenues of the wholesale banking segment consist of interest earned on loans made to customers, interest/fees earned on the cash float arising from transaction services, earnings from trade services and other non-fund facilities and also earnings from foreign exchange and derivative transactions on behalf of customers. 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 of delivery channels, specialist product groups, processing units and support groups.

d) Other banking business

This segment includes income from para banking activities such as credit cards, debit cards, third party product distribution, primary dealership business and the associated costs.

e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes capital and reserves, debt classified as Tier I or Tier II capital and other unallocable assets and liabilities such as deferred tax, prepaid expenses, etc.

Segment revenue includes earnings from external customers plus earnings from funds transferred to other segments. Segment result includes revenue less interest expense less operating expense and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Interest income is charged by a segment that provides funding to another segment, based on yields benchmarked to an internally approved yield curve or at a certain agreed transfer price rate. Transaction charges are levied by the retail-banking segment to the wholesale banking segment for the use by its customers of the retail banking segment's branch network or other delivery channels. Such transaction costs are determined on a cost plus basis. Segment capital employed represents the net assets in that segment.

Geographic segments

The geographic segments of the Bank are categorized as Domestic Operations and Foreign Operations. Domestic Operations comprise branches in India and Foreign Operations comprise branches outside India.

Segment reporting for the year ended March 31, 2016 is given below:

Business segments:

(₹ crore)

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	18,264.88	59,252.34	27,162.39	7,554.42	1,12,234.03
2	Unallocated revenue					-
3	Less: Inter-segment revenue					41,260.86
4	Income from operations (1) + (2) – (3)					70,973.17
5	Segment results	1,489.21	7,522.30	8,219.93	2,832.27	20,063.71
6	Unallocated expenses					1,425.77
7	Income tax expense (including deferred tax)					6,341.71
8	Net profit (5) – (6) – (7)					12,296.23
9	Segment assets	2,03,381.47	2,52,690.65	2,26,242.65	21,633.06	7,03,947.83
10	Unallocated assets					4,897.74
11	Total assets (9) + (10)					7,08,845.57
12	Segment liabilities	45,389.87	4,48,313.40	1,20,425.52	2,476.31	6,16,605.10
13	Unallocated liabilities					19,562.70
14	Total liabilities (12) + (13)					6,36,167.80
15	Capital employed (9) - (12)	1,57,991.60	(1,95,622.75)	1,05,817.13	19,156.75	87,342.73
	(Segment Assets – Segment Liabilities)					
16	Unallocated (10) - (13)					(14,664.96)
17	Total (15) + (16)					72,677.77
18	Capital expenditure	5.09	729.46	134.59	69.70	938.84
19	Depreciation	6.16	540.47	101.67	57.54	705.84

Geographic segments:

(₹ crore)

Particulars	Domestic	International
Revenue	69,816.77	1,156.40
Assets	6,72,888.69	35,956.88
Capital expenditure	937.95	0.89

Segment reporting for the year ended March 31, 2015 is given below:

Business segments:

(₹ crore)

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	12,903.89	48,814.18	23,152.60	6,201.02	91,071.69
2	Unallocated revenue					8.62
3	Less: Inter-segment revenue					33,614.06
4	Income from operations (1) + (2) – (3)					57,466.25
5	Segment results	618.30	6,228.83	7,471.83	2,486.89	16,805.85
6	Unallocated expenses					1,477.13
7	Income tax expense (including deferred tax)					5,112.80
8	Net profit (5) – (6) – (7)					10,215.92
9	Segment assets	190,609.16	197,144.15	181,325.74	16,995.47	5,86,074.52
10	Unallocated assets					4,428.56
11	Total assets (9) + (10)					590,503.08
12	Segment liabilities	36,352.78	371,355.13	98,250.45	1,537.93	507,496.29
13	Unallocated liabilities					20,997.36

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
14	Total liabilities (12) + (13)					528,493.65
15	Capital employed (9) - (12)	154,256.38	(174,210.98)	83,075.29	15,457.54	78,578.23
	(Segment Assets – Segment Liabilities)					
16	Unallocated (10) - (13)					(16,568.80)
17	Total (15) + (16)					62,009.43
18	Capital expenditure	6.02	587.72	214.09	52.26	860.09
19	Depreciation	5.91	521.71	79.44	49.24	656.30

Geographic segments:

(₹ crore)

Particulars	Domestic	International
Revenue	56,493.08	973.17
Assets	558,753.03	31,750.05
Capital expenditure	857.85	2.24

26. Liquidity coverage ratio

Quantitative information on Liquidity coverage ratio (LCR) is given below:

(₹ crore)

Particulars		Quarter ended March 31, 2016		Quarter ended December 31, 2015		Quarter ended September 30, 2015		Quarter ended June 30, 2015		Quarter ended March 31, 2015	
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)**	Total Weighted Value (average)**	Total Unweighted Value (average)***	Total Weighted Value (average)***	Total Unweighted Value (average)****	Total Weighted Value (average)****	Total Unweighted Value (average)*****	Total Weighted Value (average)*****
High Quality Liquid Assets											
1	Total High Quality Liquid Assets (HQLA)		**87,390.70**		**82,923.58**		**85,380.05**		**84,103.02**		**71,931.23**
Cash Outflows											
2	Retail deposits and deposits from small business customers, of which:	**345,295.41**	**31,521.71**	**336,581.15**	**30,736.15**	**327,063.80**	**29,851.26**	**303,371.26**	**27,605.03**	**298,532.79**	**27,201.35**
(i)	*Stable deposits*	60,156.65	3,007.83	58,439.26	2,921.96	57,102.27	2,855.11	54,641.85	2,732.09	53,038.47	2,651.92
(ii)	*Less stable deposits*	285,138.76	28,513.88	278,141.89	27,814.19	269,961.53	26,996.15	248,729.41	24,872.94	245,494.32	24,549.43
3	Unsecured wholesale funding, of which:	**152,346.46**	**77,310.79**	**150,761.23**	**78,144.79**	**143,971.45**	**76,153.26**	**132,334.88**	**67,639.08**	**120,490.90**	**42,115.36**
(i)	*Operational deposits (all counterparties)*	25,513.50	6,310.16	21,315.02	5,260.88	20,460.39	5,067.45	21,646.72	5,345.21	94,657.70	23,462.23
(ii)	*Non-operational deposits (all counterparties)*	120,422.61	64,590.28	120,973.12	64,410.82	117,518.89	65,093.64	105,628.67	57,234.38	21,196.95	14,016.88
(iii)	*Unsecured debt*	6,410.35	6,410.35	8,473.09	8,473.09	5,992.17	5,992.17	5,059.49	5,059.49	4,636.25	4,636.25
4	Secured wholesale funding		-		-		-		-		-

	Particulars	Quarter ended March 31, 2016		Quarter ended December 31, 2015		Quarter ended September 30, 2015		Quarter ended June 30, 2015		Quarter ended March 31, 2015	
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)**	Total Weighted Value (average)**	Total Unweighted Value (average)***	Total Weighted Value (average)***	Total Unweighted Value (average)****	Total Weighted Value (average)****	Total Unweighted Value (average)*****	Total Weighted Value (average)*****
5	Additional requirements, of which	**97,373.97**	**61,003.46**	**104,680.45**	**57,231.91**	**167,835.96**	**111,671.11**	**185,435.72**	**129,455.26**	**208,124.92**	**160,260.03**
(i)	*Outflows related to derivative exposures and other collateral requirement*	49,752.81	49,752.81	46,028.74	46,028.74	101,182.99	101,182.99	118,889.35	118,889.35	148,674.26	148,674.26
(ii)	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-	-	-
(iii)	*Credit and liquidity facilities*	47,621.16	11,250.65	58,651.71	11,203.17	66,652.97	10,488.12	66,546.37	10,565.91	59,450.66	11,585.77
6	Other contractual funding obligation	14,349.84	14,349.84	12,831.35	12,831.35	13,763.63	13,763.63	14,798.60	14,798.60	12,892.37	12,892.37
7	Other contingent funding obligations	46,936.27	1,724.24	45,128.25	2,256.41	42,615.71	2,130.79	43,401.88	2,170.09	37,477.11	1,873.86
8	**Total Cash Outflows**		**185,910.04**		**181,200.61**		**233,570.05**		**241,668.06**		**244,342.97**
											Cash Inflows
9	Secured lending (e.g. reverse repo)	166.67	-	39.05	5.86	5,333.33	-	3,212.00	-	4,271.83	14.69
10	Inflows from fully performing exposures	32,497.40	17,346.90	29,098.80	15,554.48	28,536.42	15,502.29	25,435.62	13,600.86	31,251.60	17,569.84
11	Other cash inflows	65,636.78	60,149.17	58,287.62	52,863.62	116,296.73	110,836.09	134,027.18	129,022.10	162,241.27	155,398.02
12	**Total Cash Inflows**	**98,300.85**	**77,496.07**	**87,425.47**	**68,423.96**	**150,166.48**	**126,338.38**	**162,674.80**	**142,622.96**	**197,764.70**	**172,982.55**

	Particulars	Quarter ended March 31, 2016		Quarter ended December 31, 2015		Quarter ended September 30, 2015		Quarter ended June 30, 2015		Quarter ended March 31, 2015	
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)**	Total Weighted Value (average)**	Total Unweighted Value (average)***	Total Weighted Value (average)***	Total Unweighted Value (average)****	Total Weighted Value (average)****	Total Unweighted Value (average)*****	Total Weighted Value (average)*****
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
13	**TOTAL HQLA**		87,390.70		82,923.58		85,380.05		84,103.02		71,931.23
14	**Total Net Cash Outflows**		108,413.96		112,776.65		107,231.67		99,045.10		71,360.42
15	**Liquidity Coverage Ratio(%)**		**80.61%**		**73.53%**		**79.62%**		**84.91%**		**100.80%**

* *The average weighted and unweighted amounts are calculated taking simple average of January 2016, February 2016 and March 2016 figures.*

** *The average weighted and unweighted amounts are calculated taking simple average of October 2015, November 2015 and December 2015 figures.*

*** *The average weighted and unweighted amounts are calculated taking simple average of July 2015, August 2015 and September 2015 figures.*

**** *The average weighted and unweighted amounts are calculated taking simple average of April 2015, May 2015 and June 2015 figures.*

***** *The average weighted and unweighted amounts are calculated taking simple average of January 2015, February 2015 and March 2015 figures.*

Qualitative disclosure on LCR

The Liquidity Coverage Ratio (LCR) is a global minimum standard for bank liquidity. It aims to ensure that a bank has an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs for a 30 calendar day liquidity stress scenario.

The LCR is calculated by dividing the amount of high quality liquid unencumbered assets (HQLA) by the estimated net outflows over a stressed 30 calendar day period. The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivative-related exposures, partially offset by inflows from assets maturing within 30 days. The average LCR was at 80.61% for the quarter ended March 2016. The average HQLA was ₹ 87,390.70 crores of which government securities constituted about 73%. The outflows related to derivative exposures (net of cash inflows) / collateral requirements and undrawn commitments constituted about 2% and 6% respectively of average cash outflow of ₹ 185,910.04 crores. Average inflows from assets were ₹ 77,496.07 crores.

Average LCR for the quarter ended March 2016 is 80.61%, which is comfortably above RBI prescribed minimum requirement of 70%.

Major reasons for movement in average LCR as compared to the previous quarter ended December'15 are as follows:

- HQLA for the quarter ended March 2016 increased as additional FALLCR (3% of NDTL) is permitted by RBI to be considered as HQLA from Feb 2016.

- Within the unsecured wholesale funding, the proportion of unsecured debt which attracts higher outflow factors has decreased.
- Within the retail deposits, the proportion of less stable funding which attract higher outflow factors, has increased.
- Inflows from performing advances have increased.
- Other cash inflows have increased mainly on account of increase in inflows from short term lending.
- A strong and diversified liabilities profile has been at the helm on Bank's growth strategy. The Bank has consistently maintained a robust funding profile with a significant portion of funding through deposits. As of March 2016 the top 20 depositors comprised of around 5% of total deposits.

Note:

1. CCIL guaranteed deals were netted for computing FX & Derivatives numbers from December 15 quarter end. Hence, the numbers for serial number 5(i) and 11 are not strictly comparable with previous quarter numbers.
2. LCR for the quarter end March 2015 had been computed based on the guidelines applicable at that point in time. Subsequently there have been amendments in the RBI guidelines w.e.f April 2015. Hence, the previous year end numbers are not comparable with current financial year.

27. Related party disclosures

As per AS -18 on Related Party Disclosures, the Bank's related parties are disclosed below:

Promoter

Housing Development Finance Corporation Limited

Subsidiaries

HDFC Securities Limited

HDB Financial Services Limited

Associates

Atlas Documentary Facilitators Company Private Limited

HBL Global Private Limited

International Asset Reconstruction Company Private Limited

Welfare trust of the Bank

HDB Employees Welfare Trust

Key management personnel

Aditya Puri, Managing Director

Paresh Sukthankar, Deputy Managing Director

Kaizad Bharucha, Executive Director

Related parties to key management personnel

Salisbury Investments Private Limited, Tanaksh Innovations Private Limited, Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad, Havovi Bharucha, Huzaan Bharucha, Danesh Bharucha, Daraius Bharucha.

In accordance with paragraph 5 of AS - 18, the Bank has not disclosed certain transactions with relatives of Key Management Personnel as they are in the nature of banker-customer relationship.

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

- Interest paid: HDFC Securities Limited ₹ 18.96 crore (previous year ₹ 2.89 crore); Housing Development Finance Corporation Limited ₹ 7.25 crore (previous year: ₹ 7.60 crore); HDB Financial Services Limited ₹ 4.52 crore (previous year ₹ 1.99 crore); Atlas Documentary Facilitators Company Private Limited ₹ 3.84 crore (previous year: ₹ 4.25 crore).

- Interest received: HDB Financial Services Limited ₹ 100.06 crore (previous year: ₹ 117.17 crore).

- Rendering of services: Housing Development Finance Corporation Limited ₹ 178.83 crore (previous year: ₹ 144.37 crore); HDFC Securities Limited ₹ 21.07 crore (previous year: ₹ 13.94 crore).

- Receiving of services: HBL Global Private Limited ₹ 702.20 crore (previous year: ₹ 589.50 crore); Atlas Documentary Facilitators Company Private Limited ₹ 471.44 crore (previous year: ₹ 449.50 crore); Housing Development Finance Corporation Limited ₹ 247.21 crore (previous year: ₹ 139.83 crore).

- Dividend paid: Housing Development Finance Corporation Limited ₹ 314.57 crore (previous year: ₹ 269.35 crore).

- Dividend received: HDB Financial Services Limited ₹ 88.40 crore (previous year: ₹ 25.00 crore); HDFC Securities Limited ₹ 60.64 crore (previous year: ₹ 7.58 crore).

- Purchase of fixed assets: HDFC Securities Limited ₹ 0.12 crore (previous year: Nil).

The Bank's related party balances and transactions for the year ended March 31, 2016 are summarized as follows:

(₹ crore)

Items / Related party	Promoter	Subsidiaries	Associates	Key management personnel	Total
Deposits taken	4,405.56 (4,405.56)	509.86 (811.10)	100.02 (100.02)	10.12 (11.50)	5,025.56 (5,328.18)
Deposits placed	0.15 (0.15)	10.51 (10.51)	0.10 (7.10)	2.51 (2.51)	13.27 (20.27)
Advances given	-	1,590.12 (1,590.12)	0.22 (36.95)	0.95 (0.99)	1,591.29 (1,628.06)
Fixed assets purchased from	- -	0.12	-	-	0.12
Fixed assets sold to	-	-	-	-	-
Interest paid to	7.25	23.48	3.89	0.84	35.46
Interest received from	-	100.06	2.27	0.02	102.35
Income from services rendered to	178.83	24.12	6.07	-	209.02
Expenses for receiving services from	247.21	81.77	1,173.64	0.76	1,503.38
Equity investments	-	2,751.77 (2,751.77)	31.19 (31.19)	-	2,782.96 (2,782.96)
Dividend paid to	314.57	-	-	3.37	317.94
Dividend received from	-	149.04	0.01	-	149.05
Receivable from	16.30 (28.42)	0.08 (1.81)	- (0.38)	- -	16.38 (30.61)
Payable to	26.93 (26.93)	21.57 (25.65)	39.85 (102.70)	- -	88.35 (155.28)
Guarantees given	0.14 (0.14)	0.05 (0.05)	- -	- -	0.19 (0.19)
Remuneration paid	-	-	-	18.34	18.34
Loans purchased from	12,773.37	-	-	-	12,773.37

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Remuneration paid excludes value of employee stock options exercised during the year.

The Bank being an authorised dealer, deals in foreign exchange and derivative transactions with parties which include its promoter. The foreign exchange and derivative transactions are undertaken in line with the RBI guidelines. The notional principal amount of foreign exchange and derivative contracts transacted with the promoter that were outstanding as on March 31, 2016 is ₹ 491.21 crore (previous year: ₹ 100.00 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is ₹ 18.90 crore (previous year: ₹ 2.80 crore).

During the year ended March 31, 2016, the Bank purchased debt securities from Housing Development Finance Corporation Limited ₹ 1,415.00 crore (previous year: Nil) and from HDB Financial Services Limited ₹ 322.00 crore (previous year: ₹ 485.00 crore) issued by these entities.

During the year ended March 31, 2016, the Bank made investment of ₹ 1,748.66 crore (previous year: ₹ 204.05 crore) in pass through certificates in respect of assets securitised out by HDB Financial Services Limited.

During the year ended March 31, 2016, the Bank paid rent of ₹ 0.66 crore (previous year: ₹ 0.66 crore) to parties related to the Bank's key management personnel in relation to residential accommodation. As at March 31, 2016, the security deposit outstanding was ₹ 3.50 crore (previous year: ₹ 3.50 crore).

The deposit outstanding from HDB Employees Welfare Trust as of March 31, 2016 was ₹ 46.46 crore (previous year: ₹ 44.13 crore). The Bank also paid interest on deposit from HDB Employees Welfare Trust aggregating to ₹ 3.88 crore (previous year: ₹ 4.19 crore).

The Bank's related party balances and transactions for the year ended March 31, 2015 are summarized as follows:

(₹ crore)

Items / Related party	Promoter	Subsidiaries	Associates	Key management personnel	Total
Deposits taken	2,203.45 (2,203.45)	471.78 (471.78)	113.06 (113.06)	12.68 (12.68)	2,800.97 (2,800.97)
Deposits placed	0.15 (0.15)	10.52 (10.52)	13.35 (33.45)	2.51 (2.51)	26.53 (46.63)
Advances given	- -	1,006.36 (1,259.54)	25.67 (46.55)	0.95 (0.95)	1,032.98 (1,307.04)
Fixed assets purchased from	-	-	-	-	-
Fixed assets sold to	-	-	-	-	-
Interest paid to	7.60	4.88	4.27	0.99	17.74
Interest received from	-	117.17	4.53	0.02	121.72
Income from services rendered to	144.37	17.22	12.25	-	173.84
Expenses for receiving services from	139.83	77.66	1,039.00	0.71	1,257.20
Equity investments	- -	2,751.77 (2,751.77)	31.19 (31.19)	- -	2,782.96 (2,782.96)
Dividend paid to	269.35	-	-	2.95	272.30
Dividend received from	-	32.58	0.01	-	32.59
Receivable from	14.89 (14.89)	2.39 (2.39)	- (1.30)	- -	17.28 (18.58)
Payable to	19.25 (19.25)	12.63 (20.09)	5.99 (92.45)	- (0.03)	37.87 (131.82)
Guarantees given	0.11 (0.11)	0.05 (0.05)	- -	- -	0.16 (0.16)
Remuneration paid	-	-	-	15.10	15.10
Loans purchased from	8,249.21	-	-	-	8,249.21

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Remuneration paid excludes value of employee stock options exercised during the year.

28. Intra-Group exposure

Intra-Group exposures in accordance with RBI guidelines are as follows:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Total amount of intra-group exposures	2,413.58	1,436.10
Total amount of top-20 intra-group exposures	2,413.58	1,436.10
Percentage of intra-group exposures to total exposure of the Bank on borrowers/customers	0.33%	0.26%
Details of breach of limits on intra-group exposures and regulatory action thereon, if any	Nil	Nil

29. Leases

Operating leases primarily comprise office premises, staff residences and Automated Teller Machines ('ATM's), which are renewable at the option of the Bank. The details of maturity profile of future operating lease payments are given below:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Not later than one year	887.30	783.02
Later than one year and not later than five years	2,805.03	2,591.87
Later than five years	2,481.82	1,974.45
Total	**6,174.15**	**5,349.34**

The total of minimum lease payments recognised in the Statement of Profit and Loss for the year	1,005.70	866.97
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	37.13	38.05
Sub-lease amounts recognised in the Statement of Profit and Loss for the year	10.67	16.01
Contingent (usage based) lease payments recognized in the Statement of Profit and Loss for the year	180.53	169.44

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

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

30. Transfers to Depositor Education and Awareness Fund (DEAF)

The details of amount transferred during the respective year to DEAF are as under:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Opening balance of amounts transferred to DEAF	92.14	Nil
Add : Amounts transferred to DEAF during the year	45.89	94.45
Less : Amounts reimbursed by DEAF towards claims	(1.18)	(2.31)
Closing balance of amounts transferred to DEAF	136.85	92.14

31. Penalties levied by the RBI

During the year ended March 31, 2016, RBI has not imposed any penalties on the Bank.

During the previous year ended March 31, 2015, RBI levied on the Bank a penalty of ₹ 0.05 crore on the grounds that the Bank failed to exchange information about the conduct of a corporate borrower's account with other banks at intervals as prescribed in the RBI guidelines on 'Lending under Consortium Arrangement/Multiple Banking Arrangements' and the same was paid by the Bank.

32. Disclosure for customer complaints / unimplemented awards of Banking Ombudsman

- Customer complaints

(A) Customer complaints other than ATM transaction disputes

Particulars	March 31, 2016	March 31, 2015
(a) No. of complaints pending at the beginning of the year	496	455
(b) No. of complaints received during the year	62,224	72,075
(c) No. of complaints redressed during the year	62,069	72,034
(d) No. of complaints pending at the end of the year	651	496

(B) ATM transaction disputes relating to the Bank's customers on the Bank's ATMs

Particulars	March 31, 2016	March 31, 2015
(a) No. of complaints pending at the beginning of the year	71	159
(b) No. of complaints received during the year	13,170	11,300
(c) No. of complaints redressed during the year	13,140	11,388
(d) No. of complaints pending at the end of the year	101	71
(e) Complaints per ten thousand transactions	0.50	0.42

(C) ATM transaction disputes relating to the Bank's customers on other banks' ATMs

Particulars	March 31, 2016	March 31, 2015
(a) No. of complaints pending at the beginning of the year	1,334	1,601
(b) No. of complaints received during the year	89,975	82,572
(c) No. of complaints redressed during the year	90,191	82,839
(d) No. of complaints pending at the end of the year	1,118	1,334
(e) Complaints per ten thousand transactions	3.86	3.91

(D) Total customer complaints and ATM transaction disputes [total of tables (A), (B) and (C) above]

Particulars	March 31, 2016	March 31, 2015
(a) No. of complaints pending at the beginning of the year	1,901	2,215
(b) No. of complaints received during the year	165,369	1,65,947
(c) No. of complaints redressed during the year	165,400	1,66,261
(d) No. of complaints pending at the end of the year	1,870	1,901

Note: ATM transaction disputes reported in the above tables are in accordance with RBI guidelines on disclosure of customer complaints.

- Awards passed by the Banking Ombudsman (BO)

Particulars	March 31, 2016	March 31, 2015
(a) No. of unimplemented awards at the beginning of the year	Nil	Nil
(b) No. of awards passed by the BO during the year	Nil	Nil
(c) No. of awards implemented during the year	Nil	Nil
(d) No. of unimplemented awards at the end of the year	Nil	Nil

- Top areas of customer complaints

The average number of customer complaints per branch, including ATM transaction disputes, was 3.3 per month during the year ended March 31, 2016 (previous year: 3.8 per month). For the year ended March 31, 2016, retail branch banking segment accounted for 82.60% of the total complaints (an increase from 76.62% for the previous year) followed by credit cards at 11.86% of the total complaints (a reduction from 14.09% for the previous year), retail assets at 3.68% of the total complaints (a reduction from 4.52% for the previous year), while other segments accounted for 1.86% of total complaints (as against 4.77% in the previous year). The top 10 areas of customer complaints for the year ended March 31, 2016, including ATM transaction disputes, accounted for 1,23,323 complaints and were 74.57% of total complaints as against 1,16,708 complaints which were 70.33% of the total complaints for the year ended March 31, 2015. The top 5 areas of customer complaints on which the Bank is working towards root cause remediation are - 'cash not dispensed or less cash dispensed in the Bank's ATMs', 'instant account not activated - personal details not updated', 'statement related - credit cards', 'delay in closure of account' and 'Marketing related – credit cards'

- Position of BO complaints as per RBI annual report

As per a report published by the RBI for the year ended June 30, 2015, the number of BO complaints per branch for the Bank was 1.36 (previous year: 1.44). The number of BO complaints other than credit cards per 1,000 accounts was at 0.10 (previous year: 0.09).The number of BO complaints (credit card related) per 1,000 cards was at 0.06 (previous year: 0.08) for the Bank.

33. Disclosure of Letters of Comfort (LoC) issued by the Bank

The Bank has not issued any Letter of Comfort during the years ended March 31, 2016 and March 31, 2015.

34. Small and micro industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 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.

35. Overseas assets, NPAs and revenue

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Total Assets	35,956.88	31,750.05
Total NPAs	124.23	157.44
Total Revenue	1,156.39	973.17

36. Off-Balance sheet SPVs

There are no Off-Balance Sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.

37. Credit default swaps

The Bank has not transacted in credit default swaps during the year ended March 31, 2016 (previous year: Nil).

38. Corporate social responsibility

Operating expenses include ₹ 194.81 crore (previous year: ₹ 118.55 crore) for the year ended March 31, 2016 towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013.

The Bank has spent 1.6% (previous year: 1.2%) of its average net profit for the last three financial years as part of its CSR for the year ended March 31, 2016. As a responsible bank, it has approached the mandatory requirements of CSR spends positively by laying a foundation on which it would build and scale future projects and partnerships. The Bank continues to evaluate strategic avenues for CSR expenditure in order to deliver maximum impact. In the years to come, the Bank will further strengthen its processes as per requirement.

The details of amount spent during the respective year towards CSR are as under:-

(₹ crore)

Particulars		March 31,2016			March 31,2015		
	Amount spent	Amount unpaid/ provision	Total	Amount spent	Amount unpaid/ provision	Total	
(i)	Construction/acquisition of any asset	NIL	NIL	NIL	NIL	NIL	NIL
(ii)	On purpose other than (i) above	186.46	8.35	194.81	111.54	7.01	118.55

39. Investor education and protection fund

There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank.

40. Disclosure on Remuneration to Non-Executive Directors

The Non-Executive Directors are paid remuneration by way of sitting fees for attending meetings of the Board and its Committees. Sitting fees are paid at the rate of ₹1,00,000 per Board Meeting and at the rate of ₹50,000 per meeting of the Board Committees. An amount of ₹1.33 crores was paid as sitting fees to the Non-Executive Directors during the year ended March, 31, 2016 (previous year: ₹ 0.76 crore).

In accordance with RBI guidelines, the Board of Directors has, subject to the approval of the shareholders at the ensuing Annual General Meeting, approved payment of profit related commission to all Non-Executive Directors at the rate of ₹10 lacs per annum per Director other than the Chairperson.

41. Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

For and on behalf of the Board

Mumbai, April 22, 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HDFC BANK LIMITED

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of HDFC BANK LIMITED (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") which includes the Group's share of profit in its associate, comprising the Consolidated Balance Sheet as at 31st March, 2018, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements") – [See paragraph 5 below]

2. **Management's Responsibility for the Consolidated Financial Statements**

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group and its associate in accordance with provisions of Section 29 of the Banking Regulation Act, 1949, Accounting Standards prescribed under Section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended, the other accounting principles generally accepted in India, and guidelines issued by the Reserve Bank of India, as applicable to the respective entities. The respective Board of Directors of the companies included in the Group and the associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and the associate and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

3. **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, and evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their report referred to in sub-paragraph (a) of paragraph 5 below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

4. **Opinion**

In our opinion and to the best of our information and according to the explanations given to us and based on the matters referred to in paragraph 5 below, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the applicable Accounting Standards and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31st March, 2018, and the consolidated profit and consolidated cash flows for the year ended on that date.

5. **Other Matters**

a) We did not audit the financial statements of two subsidiaries whose financial statements reflect total assets of Rs. 46,391.72 crores as at 31st March, 2018, total revenues of Rs. 7,829.17 crores and net cash (outflows) amounting to Rs. 63.52 crores for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of subsection (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the reports of the other auditors.

b) The consolidated financial statements also include the Group's share of net profit of Rs. 0.52 crores for the period from 1st April 2017 to 9th March 2018, as considered in the consolidated financial statements, in respect of an associate, whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate, is based solely on such unaudited financial statements as certified by the Management of that associate. In our opinion and according to the information and explanations given to us by the Holding Company's Management, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements above and our report on Other Legal and Regulatory Requirements below is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the management of the associate.

6. **Report on Other Legal and Regulatory Requirements**

As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on separate financial statements of subsidiaries referred to in paragraph 5 above we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.

(e) On the basis of the written representations received from the directors of the Holding Company as at 31st March, 2018 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of the subsidiary companies not audited by us, none of the directors of the Group companies is disqualified as at 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate report in "Annexure A" which is based on the auditor's report of the Bank and its subsidiary companies incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Group's internal financial controls over financial reporting of those companies, for the reasons stated therein.

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group;

ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No.117365W)

Porus B. Pardiwalla
Partner
(Membership No.40005)

Mumbai, 21st April, 2018

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 6.f under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Holding Company as of and for the year ended 31st March, 2018 we have audited the internal financial controls over financial reporting of the Group [See paragraphs 1 and 5 of our Report on the Consolidated Financial Statements].

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company, its subsidiary companies and its associate company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the Guidelines issued by the Reserve Bank of India, as applicable.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting, based on our audit. We conducted our audit in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

An audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors, in terms of their reports referred to in paragraph 5 of our Report on the Consolidated Financial Statements, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Holding Company and its subsidiary companies, which are companies incorporated in India.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion to the best of our information and according to the explanations given to us and based on the matters referred to in paragraph 5 of our Report on the Consolidated Financial Statements, the Group has in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2018, based on the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Our opinion is not modified in respect of the matters referred to in paragraph 5 of our Report on the Consolidated Financial Statements.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No.117365W)

Porus B. Pardiwalla
Partner
(Membership No. 40005)

Mumbai, 21st April, 2018

HDFC Bank Limited Group

Consolidated Balance Sheet as at March 31, 2018

₹ in '000

	Schedule	As at 31-Mar-18	As at 31-Mar-17
CAPITAL AND LIABILITIES			
Capital	1	**51,90,181**	**51,25,091**
Reserves and surplus	2	**1,09,08,01,062**	**91,28,14,397**
Minority interest	2A	**35,63,322**	**29,14,389**
Deposits	3	**7,88,37,51,419**	**6,43,13,42,479**
Borrowings	4	**1,56,44,20,848**	**98,41,56,439**
Other liabilities and provisions	5	**48,41,34,863**	**58,70,88,812**
Total		**11,03,18,61,695**	**8,92,34,41,607**
ASSETS			
Cash and balances with Reserve Bank of India	6	**1,04,68,82,074**	**37,91,05,485**
Balances with banks and money at call and short notice	7	**18,37,33,488**	**11,40,05,711**
Investments	8	**2,38,46,09,240**	**2,10,77,71,120**
Advances	9	**7,00,03,38,363**	**5,85,48,09,871**
Fixed assets	10	**3,81,05,583**	**3,81,46,997**
Other assets	11	**37,81,92,947**	**42,96,02,423**
Total		**11,03,18,61,695**	**8,92,34,41,607**
Contingent liabilities	12	**8,75,77,69,674**	**8,18,28,42,892**
Bills for collection		**42,75,38,250**	**30,84,80,352**
Significant accounting policies and notes to the Consolidated financial statements	17 & 18		
The schedules referred to above form an integral part of the Consolidated Balance Sheet.			

As per our report of even date. **For and on behalf of the Board**

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005
Mumbai, April 21, 2018

Shyamala Gopinath
Chairperson

Paresh Sukthankar
Deputy Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Aditya Puri
Managing Director

Kaizad Bharucha
Executive Director

Sashidhar Jagdishan
Chief Financial Officer

Bobby Parikh
Keki Mistry
Malay Patel
Partho Datta
Umesh Sarangi
Directors

Consolidated Statement of Profit and Loss for the year ended March 31, 2018

₹ in '000

	Schedule	Year ended 31-Mar-18	Year ended 31-Mar-17
I. INCOME			
Interest earned	13	**85,28,78,437**	**73,27,13,529**
Other income	14	**16,05,66,041**	**12,87,76,329**
Total		**1,01,34,44,478**	**86,14,89,858**
II. EXPENDITURE			
Interest expended	15	**42,38,14,803**	**38,04,15,844**
Operating expenses	16	**23,92,72,220**	**20,75,10,707**
Provisions and contingencies		**16,47,49,045**	**12,06,89,285**
Total		**82,78,36,068**	**70,86,15,836**
III. PROFIT			
Net profit for the year		**18,56,08,410**	**15,28,74,022**
Less : Minority interest		**5,13,389**	**3,67,165**
Add : Share in profits of associates		**5,221**	**23,393**
Consolidated profit for the year attributable to the Group		**18,51,00,242**	**15,25,30,250**
Impact on amalgamation [Refer Schedule 18(1)]		**-**	**2,74,507**
Balance in Profit and Loss account brought forward		**34,53,23,284**	**24,82,55,886**
Total		**53,04,23,526**	**40,10,60,643**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		**4,56,20,310**	**3,77,71,634**
Proposed dividend [Refer Schedule 18(2)]		**-**	**-**
Tax (including cess) on interim/proposed dividend		**5,07,653**	**2,55,959**
Dividend (including tax/cess thereon) pertaining to previous year paid during the year, net of dividend tax credits		**3,39,05,804**	**(16,909)**
Transfer to General Reserve		**-**	**-**
Transfer to Capital Reserve		**1,74,86,728**	**1,45,49,641**
Transfer to/(from) Investment Reserve Account		**23,55,227**	**31,34,100**
Balance carried over to Balance Sheet		**(4,42,018)**	**42,934**
Total		**43,09,89,822**	**34,53,23,284**
V. EARNINGS PER EQUITY SHARE (Face value ₹ 2 per share)		**₹**	**₹**
Basic		**71.73**	**59.95**
Diluted		**70.76**	**59.16**
Significant accounting policies and notes to the Consolidated financial statements	17 & 18		
The schedules referred to above form an integral part of the Consolidated Statement of Profit and Loss.			

As per our report of even date. **For and on behalf of the Board**

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005
Mumbai, April 21, 2018

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Malay Patel
Partho Datta
Umesh Sarangi
Directors

HDFC Bank Limited Group

Consolidated Cash Flow Statement for the year ended March 31, 2018

₹ in '000

Particulars	Year Ended 31-Mar-18	Year Ended 31-Mar-17
Cash flows from operating activities		
Consolidated profit before income tax	28,41,31,068	23,33,11,478
Adjustment for:		
Depreciation on fixed assets	96,67,819	88,61,876
(Profit) / loss on revaluation of investments	15,70,448	(87,543)
Amortisation of premia on held to maturity investments	35,99,102	17,56,569
(Profit) / loss on sale of fixed assets	11,833	16,229
Provision / charge for non performing assets	5,75,53,339	3,70,24,296
Provision for dimunition in value of Investments	3,08,075	(76,417)
Floating provisions	-	2,50,000
Provision for standard assets	65,75,746	43,12,322
Contingency provisions	39,61,191	3,88,440
Share in current year's profits of associates	(5,221)	(23,393)
	36,73,73,400	**28,57,33,857**
Adjustments for :		
(Increase) / decrease in investments (excluding investments in subsidiaries)	(28,23,10,524)	(17,32,57,700)
(Increase) / decrease in advances	(1,20,30,53,719)	(1,01,89,04,990)
Increase / (decrease) in deposits	1,45,24,08,940	97,26,09,590
(Increase) / decrease in other assets	5,23,36,433	(4,48,55,329)
Increase / (decrease) in other liabilities and provisions	(11,45,11,772)	22,83,37,692
	27,22,42,758	**24,96,63,120**
Direct taxes paid (net of refunds)	**(10,00,98,994)**	**(7,68,47,189)**
Net cash from operating activities	**17,21,43,764**	**17,28,15,931**
Cash flows used in investing activities		
Purchase of fixed assets	(84,77,746)	(1,15,77,570)
Proceeds from sale of fixed assets	99,204	1,00,768
Investment in subsidiaries and / or joint ventures	(1,43,331)	-
Net cash used in investing activities	**(85,21,873)**	**(1,14,76,802)**
Cash flows from financing activities		
Increase in minority interest	6,66,553	8,18,605
Money received on exercise of stock options by employees	2,72,59,098	2,26,15,161
Increase / (decrease) in borrowings (excluding subordinate debt, perpetual debt and upper tier II instruments)	50,10,14,409	(3,38,98,658)
Proceeds from issue of Additional Tier I and Tier II Capital Bonds	10,00,00,000	-
Redemption of subordinated debt	(2,07,50,000)	(1,90,84,500)
Dividend paid during the year	(2,83,12,716)	(2,40,83,093)
Tax on dividend	(61,00,741)	(52,97,258)
Net cash (used in) / from financing activities	**57,37,76,603**	**(5,89,29,743)**
Effect of exchange fluctuation on translation reserve	**1,05,872**	**(2,82,622)**
Cash and cash equivalents on amalgamation [Refer Schedule 18(1)]	-	2,95,617
Net increase in cash and cash equivalents	**73,75,04,366**	**10,24,22,381**
Cash and cash equivalents as at April 1st	**49,31,11,196**	**39,06,88,815**
Cash and cash equivalents as at March 31st	**1,23,06,15,562**	**49,31,11,196**

As per our report of even date. **For and on behalf of the Board**

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005
Mumbai, April 21, 2018

Shyamala Gopinath
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Malay Patel
Partho Datta
Umesh Sarangi
Directors

Schedules to the Consolidated Financial Statements

SCHEDULE 1 – CAPITAL

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
Authorised Capital		
3,25,00,00,000 (31 March, 2017 : 3,25,00,00,000) Equity Shares of ₹ 2/- each	**65,00,000**	**65,00,000**
Issued, subscribed and paid-up capital		
2,59,50,90,267 (31 March, 2017 : 2,56,25,45,717) Equity Shares of ₹ 2/- each	**51,90,181**	**51,25,091**
Total	**51,90,181**	**51,25,091**

SCHEDULE 2 - RESERVES AND SURPLUS

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Statutory reserve		
Opening balance	**18,77,03,201**	**14,99,31,567**
Additions during the year	**4,56,20,310**	**3,77,71,634**
Total	**23,33,23,511**	**18,77,03,201**
II. General reserve		
Opening balance	**7,19,19,150**	**5,73,69,509**
Additions during the year	**1,74,86,728**	**1,45,49,641**
Total	**8,94,05,878**	**7,19,19,150**
III. Balance in profit and loss account	**43,09,89,822**	**34,53,23,284**
IV. Share premium account		
Opening balance	**28,47,51,089**	**26,22,04,646**
Additions during the year	**2,71,94,008**	**2,25,46,443**
Total	**31,19,45,097**	**28,47,51,089**
V. Amalgamation reserve		
Opening balance	**1,06,35,564**	**1,06,35,564**
Additions during the year	**-**	**-**
Total	**1,06,35,564**	**1,06,35,564**
VI. Capital reserve		
Opening balance	**1,20,00,683**	**88,66,583**
Additions during the year	**23,55,227**	**31,34,100**
Total	**1,43,55,910**	**1,20,00,683**
VII. Investment reserve account		
Opening balance	**4,42,018**	**3,99,084**
Additions during the year	**45,086**	**1,09,506**
Deductions during the year	**(4,87,104)**	**(66,572)**
Total	**-**	**4,42,018**
VIII. Foreign currency translation account		
Opening balance	**39,408**	**3,22,030**
Additions / (deductions) during the year	**1,05,872**	**(2,82,622)**
Total	**1,45,280**	**39,408**
Total	**1,09,08,01,062**	**91,28,14,397**

SCHEDULE 2 A - MINORITY INTEREST

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
Minority interest at the date on which parent subsidiary relationship came into existence	**2,76,029**	**2,76,029**
Subsequent increase	**32,87,293**	**26,38,360**
Total	**35,63,322**	**29,14,389**

Includes reserves of Employee Welfare Trust of ₹ 76.78 crore (previous year ₹ 70.83 crore)

SCHEDULE 3 – DEPOSITS

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
A. I. Demand deposits		
(i) From banks	**2,72,37,788**	**2,08,06,377**
(ii) From others	**1,16,28,64,325**	**1,13,28,92,089**
Total	**1,19,01,02,113**	**1,15,36,98,466**
II. Savings bank deposits	**2,23,79,68,679**	**1,93,57,86,271**
III. Term deposits		
(i) From banks	**7,27,75,645**	**5,35,20,609**
(ii) From others	**4,38,29,04,982**	**3,28,83,37,133**
Total	**4,45,56,80,627**	**3,34,18,57,742**
Total	**7,88,37,51,419**	**6,43,13,42,479**
B. I. Deposits of branches in India	**7,84,39,31,322**	**6,39,13,51,770**
II. Deposits of branches outside India	**3,98,20,097**	**3,99,90,709**
	7,88,37,51,419	**6,43,13,42,479**

SCHEDULE 4 – BORROWINGS

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Borrowings in India		
(i) Reserve Bank of India	**13,80,00,000**	**-**
(ii) Other banks	**16,82,80,179**	**9,73,71,546**
(iii) Other institutions and agencies	**37,14,60,868**	**24,97,10,383**
(iv) Upper and lower tier II capital and innovative perpetual debts	**23,10,70,000**	**14,90,20,000**
(v) Bonds and Debentures (excluding subordinated debt)	**29,05,28,000**	**25,20,38,000**
Total	**1,19,93,39,047**	**74,81,39,929**
II. Borrowings outside India	**36,50,81,801**	**23,60,16,510**
Total	**1,56,44,20,848**	**98,41,56,439**

Secured borrowings included in I & II above: ₹ 27,269.82 crore (previous year:₹ 20,606.90 crore) except borrowings of ₹ 14,239.95 crore (March 31, 2017: Nil) under Collateralised Borrowing and Lending Obligation and transactions under Liquidity Adjustment Facility and Marginal Standing Facility.

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Bills payable	8,22,17,908	16,66,70,863
II. Interest accrued	6,67,59,768	4,59,14,476
III. Others (including provisions)	30,35,45,722	34,94,67,514
IV. Contingent provisions against standard assets	3,16,11,465	2,50,35,959
Total	**48,41,34,863**	**58,70,88,812**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Cash in hand *(including foreign currency notes)*	7,55,00,625	4,27,72,675
II. Balances with Reserve Bank of India :		
(a) In current accounts	36,43,81,449	28,43,32,810
(b) In other accounts	60,70,00,000	5,20,00,000
Total	**97,13,81,449**	**33,63,32,810**
Total	**1,04,68,82,074**	**37,91,05,485**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. In India		
(i) Balances with banks :		
(a) In current accounts	87,34,805	55,31,745
(b) In other deposit accounts	20,91,212	97,16,581
Total	**1,08,26,017**	**1,52,48,326**
(ii) Money at call and short notice :		
(a) With banks	-	-
(b) With other institutions	4,50,18,623	-
Total	**4,50,18,623**	**-**
Total	**5,58,44,640**	**1,52,48,326**
II. Outside India		
(i) In current accounts	2,61,24,304	3,67,72,777
(ii) In deposit accounts	61,91,625	25,29,150
(iii) Money at call and short notice	9,55,72,919	5,94,55,458
Total	**12,78,88,848**	**9,87,57,385**
Total	**18,37,33,488**	**11,40,05,711**

SCHEDULE 8 - INVESTMENTS

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
A. Investments in India in		
(i) Government securities	**1,88,36,48,036**	**1,62,41,86,994**
(ii) Other approved securities	**-**	**-**
(iii) Shares	**13,96,772**	**12,19,538**
(iv) Debentures and bonds	**33,66,81,684**	**18,79,65,272**
(v) Investment in Associates	**-**	**4,02,955**
(vi) Others (Units, CDs/CPs, PTCs and security receipts)	**14,74,05,912**	**28,28,16,215**
Total	**2,36,91,32,404**	**2,09,65,90,974**
B. Investments outside India in		
(i) Government securities (including Local Authorities)	**42,18,786**	**-**
(ii) Other investments		
(a) Shares	**28,375**	**28,375**
(b) Debentures and bonds	**1,12,29,675**	**1,11,51,771**
Total	**1,54,76,836**	**1,11,80,146**
Total	**2,38,46,09,240**	**2,10,77,71,120**
C. Investments		
(i) Gross value of investments		
(a) In India	**2,37,16,18,040**	**2,09,72,19,426**
(b) Outside India	**1,56,06,450**	**1,12,06,487**
Total	**2,38,72,24,490**	**2,10,84,25,913**
(ii) Provision for depreciation		
(a) In India	**24,85,635**	**6,28,452**
(b) Outside India	**1,29,615**	**26,341**
Total	**26,15,250**	**6,54,793**
(iii) Net value of investments		
(a) In India	**2,36,91,32,405**	**2,09,65,90,974**
(b) Outside India	**1,54,76,835**	**1,11,80,146**
Total	**2,38,46,09,240**	**2,10,77,71,120**

SCHEDULE 9 - ADVANCES

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
A (i) Bills purchased and discounted	**21,65,92,055**	**28,71,59,641**
(ii) Cash credits, overdrafts and loans repayable on demand	**1,68,16,43,640**	**1,33,61,74,162**
(iii) Term loans	**5,10,21,02,668**	**4,23,14,76,068**
Total	**7,00,03,38,363**	**5,85,48,09,871**
B (i) Secured by tangible assets*	**5,04,26,41,201**	**4,23,22,38,514**
(ii) Covered by bank / government guarantees	**19,16,82,760**	**22,75,26,268**
(iii) Unsecured	**1,76,60,14,402**	**1,39,50,45,089**
Total	**7,00,03,38,363**	**5,85,48,09,871**
** Including advances against book debts*		
C. I. Advances in India		
(i) Priority sector	**1,76,53,02,486**	**1,64,60,22,483**

	As at 31-Mar-18	As at 31-Mar-17
(ii) Public sector	**13,77,08,318**	**15,77,41,065**
(iii) Banks	**83,57,208**	**90,92,668**
(iv) Others	**4,88,57,15,328**	**3,84,39,21,442**
Total	**6,79,70,83,340**	**5,65,67,77,658**
C.II. Advances outside India		
(i) Due from banks	**3,30,46,352**	**65,00,391**
(ii) Due from others		
(a) Bills purchased and discounted	**10,52,278**	**25,60,707**
(b) Syndicated loans	**1,82,65,990**	**1,78,45,564**
(c) Others	**15,08,90,403**	**17,11,25,551**
Total	**20,32,55,023**	**19,80,32,213**
Total	**7,00,03,38,363**	**5,85,48,09,871**
(Advances are net of provisions)		

SCHEDULE 10 - FIXED ASSETS

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
A. Premises *(including land)*		
Gross block		
At cost on 31 March of the preceding year	**1,63,84,648**	**1,57,85,543**
Additions during the year	**9,78,572**	**6,69,452**
Deductions during the year	**(77,395)**	**(70,347)**
Total	**1,72,85,825**	**1,63,84,648**
Depreciation		
As at 31 March of the preceding year	**47,98,856**	**42,62,700**
Charge for the year	**5,97,187**	**5,95,216**
On deductions during the year	**(74,579)**	**(59,060)**
Total	**53,21,464**	**47,98,856**
Net block	**1,19,64,361**	**1,15,85,792**
B. Other fixed assets *(including furniture and fixtures)*		
Gross block		
At cost on 31 March of the preceding year	**8,45,74,310**	**7,49,00,241**
Additions on amalgamation	**-**	**3,77,694**
Additions during the year	**87,52,421**	**1,15,25,792**
Deductions during the year	**(12,16,788)**	**(22,29,417)**
Total	**9,21,09,943**	**8,45,74,310**
Depreciation		
As at 31 March of the preceding year	**5,80,13,105**	**5,16,26,108**
Additions on amalgamation	**-**	**2,45,859**
Charge for the year	**90,71,123**	**82,64,659**
On deductions during the year	**(11,15,507)**	**(21,23,521)**
Total	**6,59,68,721**	**5,80,13,105**
Net block	**2,61,41,222**	**2,65,61,205**
C. Assets on lease *(plant and machinery)*		
Gross block		

	As at 31-Mar-18	As at 31-Mar-17
At cost on 31 March of the preceding year	45,46,923	45,46,923
Additions during the year	-	-
Total	**45,46,923**	**45,46,923**
Depreciation		
As at 31 March of the preceding year	41,04,467	41,04,467
Charge for the year	-	-
Total	**41,04,467**	**41,04,467**
Lease adjustment account		
As at 31 March of the preceding year	4,42,456	4,42,456
Charge for the year	-	-
Total	**4,42,456**	**4,42,456**
Unamortised cost of assets on lease	-	-
Total	**3,81,05,583**	**3,81,46,997**

SCHEDULE 11 - OTHER ASSETS

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Interest accrued	9,07,75,781	8,31,77,119
II. Advance tax/tax deducted at source (net of provisions)	1,83,04,321	1,72,70,130
III. Stationery and stamps	3,33,306	2,67,871
IV. Non banking assets acquired in satisfaction of claims	-	-
V. Security deposit for commercial and residential property	51,67,669	50,95,162
VI. Others*	26,36,11,870	32,37,92,141
Total	**37,81,92,947**	**42,96,02,423**

* *Includes deferred tax asset (net) of ₹ 3,532.07 crore (previous year:₹ 2,587.06 crore), goodwill of ₹ 197.57 crore (previous year : ₹ 185.00 crore) and deposits placed with NABARD/SIDBI/NHB on account of shortfall in lending to priority sector of ₹ 13,357.25crore (previous year: ₹ 11,882.37 crore)*

SCHEDULE 12 - CONTINGENT LIABILITIES

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Claims against the bank not acknowledged as debts - taxation	1,13,59,710	1,07,24,100
II. Claims against the bank not acknowledged as debts - others	19,85,622	20,10,238
III. Liability on account of outstanding forward exchange contracts	4,34,46,75,713	4,69,93,01,366
IV. Liability on account of outstanding derivative contracts	3,48,26,87,822	2,72,30,68,634
V. Guarantees given on behalf of constituents - in India	44,87,41,092	36,62,32,012
- outside India	5,57,296	9,53,405
VI. Acceptances, endorsements and other obligations	39,54,52,699	35,96,13,744
VII. Other items for which the Bank is contingently liable	7,23,09,720	2,09,39,393
Total	**8,75,77,69,674**	**8,18,28,42,892**

SCHEDULE 13 - INTEREST EARNED

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Interest/discount on advances / bills	**67,65,89,047**	**55,98,61,841**
II. Income from investments	**16,22,97,863**	**15,95,15,563**
III. Interest on balance with RBI and other inter-bank funds	**54,06,186**	**54,48,567**
IV. Others	**85,85,341**	**78,87,558**
Total	**85,28,78,437**	**73,27,13,529**

SCHEDULE 14 - OTHER INCOME

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Commission, exchange and brokerage	**12,29,35,083**	**9,47,67,987**
II. Profit / (loss) on sale of investments (net)	**1,10,05,345**	**1,14,47,093**
III. Profit / (loss) on revaluation of investments (net)	**(15,70,448)**	**87,543**
IV. Profit / (loss) on sale of building and other assets (net)	**(11,833)**	**(16,229)**
V. Profit/(loss) on exchange/derivative transactions (net)	**1,52,34,978**	**1,26,33,895**
VI. Miscellaneous income	**1,29,72,916**	**98,56,040**
Total	**16,05,66,041**	**12,87,76,329**

SCHEDULE 15 - INTEREST EXPENDED

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Interest on deposits	**32,75,40,435**	**31,29,55,921**
II. Interest on RBI / inter-bank borrowings	**9,54,26,124**	**6,58,34,950**
III. Other interest	**8,48,244**	**16,24,973**
Total	**42,38,14,803**	**38,04,15,844**

SCHEDULE 16 - OPERATING EXPENSES

₹ in '000

	As at 31-Mar-18	As at 31-Mar-17
I. Payments to and provisions for employees	**9,19,39,035**	**8,50,47,014**
II. Rent, taxes and lighting	**1,52,31,599**	**1,43,05,273**
III. Printing and stationery	**48,21,103**	**47,73,398**
IV. Advertisement and publicity	**17,19,205**	**15,23,765**
V. Depreciation on bank's property	**96,67,819**	**88,61,876**
VI. Directors' fees/ remuneration, allowances and expenses	**32,496**	**35,221**
VII. Auditors' fees and expenses	**26,301**	**25,758**
VIII. Law charges	**16,48,413**	**12,49,095**
IX. Postage, telegram, telephone etc.	**48,50,740**	**44,91,632**
X. Repairs and maintenance	**1,31,49,745**	**1,27,17,968**
XI. Insurance	**82,86,960**	**69,14,913**
XII. Other expenditure*	**8,78,98,804**	**6,75,64,794**
Total	**23,92,72,220**	**20,75,10,707**

* *Includes professional fees, commission to sales agents, card and merchant acquiring expenses and system management fees.*

SCHEDULE 17 - Significant accounting policies appended to and forming part of the consolidated financial statements for the year ended March 31, 2018

A BACKGROUND

HDFC Bank Limited ('HDFC Bank' or 'the Bank'), incorporated in Mumbai, India is a publicly held banking company engaged in providing a range of banking and financial services including retail banking, wholesale banking and treasury operations. The Bank is governed by the Banking Regulation Act, 1949 and the Companies Act, 2013. The Bank has overseas branch operations in Bahrain, Hong Kong, Dubai and Offshore Banking Unit at International Financial Service Centre (IFSC), at GIFT City, Gandhinagar in Gujarat. The financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by branches of the Bank.

HDB Financial Services Limited (HDBFSL) and HDFC Securities Limited (HSL) are subsidiaries of the Bank. HDBFSL is a non-deposit taking non-banking finance company. HSL is a financial services provider along with broking as a core product.

B PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries constituting the 'Group' and 'Group's' share of profits in an associate.

The Bank consolidates its subsidiaries in accordance with Accounting Standard ('AS') 21, Consolidated Financial Statements, specified under Section 133 of the Companies Act, 2013, on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. Capital reserve / Goodwill on consolidation represent the difference between the Bank's share in the net worth of the subsidiary and the cost of acquisition at the time of making the investment in the subsidiary. Further, the Bank accounts for investments in associates under equity method of accounting in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements, specified under Section 133 of the Companies Act, 2013.

C BASIS OF PREPARATION

The consolidated financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') specified under Section 133 of the Companies Act, 2013, in so far as they apply to banks.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires the management to make estimates and necessary assumptions in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

Basis of consolidation

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

Name	Relation	Country of incorporation	Ownership interest**
HDFC Securities Limited	Subsidiary	India	97. 7%
HDB Financial Services Limited	Subsidiary	India	95.9%
International Asset Reconstruction Company Private Limited***	Associate	India	19.2%
HDB Employee Welfare Trust	*	India	

* The accounts of HDB Employee Welfare Trust, a trust established for providing general welfare measures such as medical relief and educational assistance to the employees of the Bank and their dependents has been entirely consolidated.

** Denotes HDFC Bank's direct interest.

*** The un-audited financial statements of an associate have been drawn for the period ended December 31, 2017.

International Asset Reconstruction Company Private limited ceased to be an associate with effect from March 9, 2018 on account of reduction in ownership interest from 29.4% to 19.2%.

During the year ended March 31, 2018 the Bank's shareholding in HDB Financial Services Limited decreased from 96.2% to 95.9% on account of the stock options exercised by minority stakeholders.

During the year ended March 31, 2018 the Bank's shareholding in HDFC Securities Limited decreased from 97.9% to 97.7% on account of the stock options exercised by minority stakeholders and additional stake purchased from minority.

During the year ended March 31, 2017, Atlas Documentary Facilitators Company Private Limited and HBL Global Private Limited, associates of the Bank as at March 31, 2016, amalgamated with HDB Financial Services Limited, pursuant to the approval of the Honourable High courts of Gujarat and Bombay with effect from December 1, 2016. The appointed date of the merger as per the scheme of amalgamation was April 1, 2014. Accordingly, the consolidated financial statements include the effect of the said amalgamation.

The audited financial statements of the subsidiary companies, entity controlled by the Bank have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2018.

D PRINCIPAL ACCOUNTING POLICIES

1 Investments

HDFC Bank Limited

Classification:

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ('HFT'), "Available for Sale" ('AFS') and "Held to Maturity" ('HTM') categories (hereinafter called "categories"). Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups (hereinafter called "groups") - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments.

Purchase and sale transactions in securities are recorded under 'Settlement Date' of accounting, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of classification:

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments in the equity of subsidiaries / joint ventures are categorised as HTM in accordance with the RBI guidelines. Investments which are not classified in either of the above categories are classified under AFS category.

Acquisition cost:

Brokerage, commission, etc. and broken period interest on debt instruments are recognised in the Statement of Profit and Loss and are not included in the cost of acquisition.

Disposal of investments:

Profit / Loss on sale of investments under the aforesaid three categories is recognised in the Statement of Profit and Loss. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve is appropriated from the Statement of Profit and Loss to "Capital Reserve" in accordance with the RBI Guidelines.

Short sale:

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines. The short position is reflected as the amount received on sale and is classified under 'Other Liabilities'. The short position is marked to market and loss, if any, is charged to the Statement of Profit and Loss while gain, if any, is ignored. Profit / Loss on settlement of the short position is recognised in the Statement of Profit and Loss.

Valuation:

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

Traded investments are valued based on the trades / quotes on the recognised stock exchanges, price list of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA'), periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA.

The valuation of other unquoted fixed income securities (viz. State Government securities, other approved securities, bonds and debentures) and preference shares, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA.

Special bonds such as oil bonds, fertilizer bonds etc. which are directly issued by Government of India ('GOI') that do not qualify for SLR are also valued by applying the mark-up above the corresponding yield on GOI securities.

Unquoted equity shares are valued at the break-up value, if the latest Balance Sheet is available or at ₹ 1 as per the RBI guidelines.

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

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost and stated at acquisition cost.

Security receipts are valued as per the net asset value provided by the issuing Asset Reconstruction Company from time to time.

Investment in unquoted VCF are categorised under HTM category for the initial period of three years and valued at cost. Such investment are required to be transferred to AFS thereafter.

Pass Through Certificates (PTC) including Priority Sector-PTCs are valued by using FIMMDA credit spread as applicable for the NBFC category, based on the credit rating of the respective PTC over the YTM rates for government securities published by FIMMDA.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the six groups, is charged to the Statement of Profit and Loss. The net appreciation, if any, in any of the six groups is not recognised except to the extent of depreciation already provided. The valuation of investments includes securities under repo transactions. The book value of individual securities is not changed after the valuation of investments.

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a constant yield to maturity basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in subsidiaries / joint ventures is provided for.

Non-performing investments are identified and depreciation / provision are made thereon based on the RBI guidelines. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Statement of Profit and Loss until received.

Repo and reverse repo transactions:

In accordance with the RBI guidelines, repurchase and reverse repurchase transactions in government securities and corporate debt securities are reflected as borrowing and lending transactions respectively.

Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.

HDFC Securities Limited

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

HDB Financial Services Limited

Investments expected to mature after twelve months are taken as long term / non-current investment and stated at cost. Provision is recognised only in case of diminution, which is other than temporary in nature. Investments maturing within three months from the date of acquisition are classified as cash equivalents if they are readily convertible into cash. All other investments are recognised as short term / current investments and are valued at lower of cost and net realisable value.

Interest on borrowings is recognised in Statement of Profit and Loss on an accrual basis. Costs associated with borrowings are grouped under financial charges along with the interest costs.

HDB Employees Welfare Trust

Long-term investments are stated at cost of acquisition. Provision for diminution is made if such diminution is considered as being other than temporary in nature.

2 Advances

HDFC Bank Limited

Classification:

Advances are classified as performing and non-performing based on the RBI guidelines and are stated net of bills rediscounted, inter-bank participation with risk, specific provisions, interest in suspense for non-performing advances, claims received from Export Credit Guarantee Corporation, provisions for funded interest term loan classified as non-performing advances and provisions in lieu of diminution in the fair value of restructured assets. Interest on non-performing advances is transferred to an interest suspense account and not recognised in the Statement of Profit and Loss until received.

Provisioning:

Specific loan loss provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of wholesale and retail advances, subject to the minimum provisioning level prescribed by the RBI.

The specific provision levels for retail non-performing assets are also based on the nature of product and delinquency levels. Specific loan loss provisions in respect of non-performing advances are charged to the Statement of Profit and Loss and included under Provisions and Contingencies.

Non-performing advances are written-off in accordance with the Bank's policies. Recoveries from bad debts written-off are recognised in the Statement of Profit and Loss and included under other income.

In relation to non-performing derivative contracts, as per the extant RBI guidelines, the Bank makes provision for the entire amount of overdue and future receivables relating to positive marked to market value of the said derivative contracts.

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts and gold in accordance with the guidelines and at levels stipulated by RBI from time to time. In the case of overseas branches, general provision on standard advances is maintained at the higher of the levels stipulated by the respective overseas regulator or RBI. Provision for standard assets is included under other liabilities.

Provisions made in addition to the Bank's policy for specific loan loss provisions for non-performing assets and regulatory general provisions are categorised as floating provisions. Creation of floating provisions is considered by the Bank up to a level approved by the Board of Directors. In accordance with the RBI guidelines, floating provisions are used up to a level approved by the Board only for contingencies under extraordinary circumstances and for making specific provisions for impaired accounts as per these guidelines or any regulatory guidance / instructions. Floating provisions are included under other liabilities.

Further to the provisions required to be held according to the asset classification status, provisions are held for individual country exposures (other than for home country exposure). Countries are categorised into risk categories as per Export Credit Guarantee Corporation of India Ltd. ('ECGC') guidelines and provisioning is done in respect of that country where the net funded exposure is one percent or more of the Bank's total assets. Provision for country risk is included under other liabilities.

In addition to the above, the Bank on a prudential basis makes provisions on advances or exposures which are not NPAs, but has reasons to believe on the basis of the extant environment or specific information or basis regulatory guidance / instructions, of a possible slippage of a specific advance or a group of advances or exposures or potential exposures. These are classified as contingent provisions and included under other liabilities.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines. Restructuring of an account is done at a borrower level.

HDB Financial Services Limited

Classification:

Advances are classified as standard, sub-standard and doubtful assets as per the Company policy approved by the Board. The rates applied for making provisions on non-performing advances are higher than those required by the relevant RBI guidelines. Interest on non-performing advances is transferred to an interest suspense account and not recognised in the Statement of Profit and Loss until received. Loan assets are recognised on disbursement of loan and in case of new asset financing on the transfer of ownership.

Provisioning:

The Company assesses all receivables for their recoverability and accordingly recognises provision for non-performing and doubtful assets as per approved Company policies and guidelines. The Company ensures provisions made are not lower than as stipulated by RBI guidelines.

The Company provides 0.40% on standard assets as stipulated by RBI master direction (RBI/DNBR/2016-17/45 Master Direction DNBR PD 008/03.10.119/2016-17) issued on September 1, 2016 Non-Banking Financial Company – Systematically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions 2016 as amended.

Loan origination costs:

Brokerage, commission, incentive to employee, etc. paid at the time of acquisition of loans are charged to expenses.

3 Securitisation and transfer of assets

HDFC Bank Limited

The Bank securitises out its receivables to Special Purpose Vehicles ('SPVs') in securitisation transactions. Such securitised-out receivables are de-recognised in the Balance Sheet when they are sold (true sale criteria being fully met with) and consideration is received by the Bank. Sales / Transfers that do not meet these criteria for surrender of control are accounted for as secured borrowings. In respect of receivable pools securitised-out, the Bank provides liquidity and credit enhancements, as specified by the rating agencies, in the form of cash collaterals / guarantees and / or by subordination of cash flows in line with RBI guidelines. The Bank also acts as a servicing agent for receivable pools securitised-out.

The Bank enters into transactions for transfer of standard assets through the direct assignment of cash flows, which are similar to asset-backed securitisation transactions through the SPV route, except that such portfolios of receivables are assigned directly to the purchaser and are not represented by Pass Through Certificates ('PTCs').

The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines. The Bank amortises any profit received for every individual securitisation or direct assignment transaction based on the method prescribed in these guidelines.

In relation to securitisation transactions undertaken prior to the aforementioned RBI guidelines, including those undertaken through the direct assignment route, the Bank continues to amortise the profit / premium that arose on account of sale of receivables over the life of the securities sold, in accordance with the RBI guidelines on securitisation of standard assets issued vide its circular dated February 1, 2006.

Any loss arising on account of sale of receivables is recognised in the Statement of Profit and Loss for the period in which the sale occurs in accordance with the said RBI guidelines.

The Bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfillment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfillment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as 'Miscellaneous Income' and the fee paid for purchase of the PSLCs is recorded as 'Other Expenditure' in Statement of Profit and Loss. These are amortised over the period of the Certificate.

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

The Bank invests in PTCs issued by other SPVs. These are accounted for at the deal value and are classified as investments. The Bank also buys loans through the direct assignment route which are classified as advances. These are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the tenor of the loans.

HDB Financial Services Limited

- Prior to Issuance of RBI Circular dated August 21, 2012

  a) On receivables being assigned / securtised, the assets are de-recognised as all the rights, title, future receivables & interest thereof are assigned to the purchaser.

  b) Gains arising on assignment of receivables will be recognised at the end of the tenure of assignment contract as per the RBI guidelines, while loss, if any is recognised upfront.

- Post Issuance of RBI Circular dated August 21, 2012

  a) Securitised receivables are de-recognised in the Balance Sheet when they are sold i.e. they meet true sale criteria.

  b) Gains arising out of securitisation of assets are recognised over the tenure of the securities issued by Special Purpose Vehicle Trust (SPV).

  c) The excess interest spread on the securitisation transactions are recognised in the Statement of Profit and Loss only when it is redeemed in cash by the SPV after adjusting for overdue receivable for more than 90 days. Losses, if any, are recognised upfront.

4 Fixed assets and depreciation

HDFC Bank Limited

Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. The management believes that the useful life of assets assessed by the Bank, pursuant to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets are given below:

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act, 2013
Owned Premises	61 years	60 years
Automated Teller Machines ('ATMs')	10 years	15 years
Electrical equipment and installations	6 to 10 years	10 years

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act, 2013
Office equipment	3 to 6 years	5 years
Computers	3 years	3 years
Modems, routers, switches, servers, network and related IT equipment	3 to 6 years	6 years
Motor cars	4 years	8 years
Furniture and fittings	16 years	10 years

- Improvements to lease hold premises are charged off over the remaining primary period of lease.
- Software and system development expenditure is depreciated over a period of 5 years.
- Point of sale terminals are fully depreciated in the year of purchase.
- For assets purchased and sold during the year, depreciation is provided on pro-rata basis by the Bank.
- Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.
- Profit on sale of immovable property net of taxes and transfer to statutory reserve, are transferred to capital reserve account.

HDFC Securities Limited

Tangible assets are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises purchase price and expenses directly attributable to bringing the asset to its working condition for the intended use. Subsequent expenditure related to an item of fixed asset are added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.

Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements.

Gains or losses arising from disposal or retirement of tangible fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised net, within “Other Income” or “Other Expenses”, as the case maybe, in the Statement of Profit and Loss in the year of disposal or retirement.

Capital work-in-progress are fixed assets which are not yet ready for their intended use. Such assets are carried at cost comprising direct cost and related incidental expenses.

Depreciation is provided on a pro-rata basis to fully depreciate the assets using the straight-line method over the estimated useful lives of the assets.

For the following categories of assets, depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013:

Asset	Estimated useful life
Computer hardware	3 years
Office equipment	5 years
Furniture and fixtures	10 years
Leasehold improvements	Over the remaining period of the lease
Electricals	10 years
Office premises	60 years

For the following categories of assets, the Company has assessed useful life based on technical advice, taking into account the nature of the asset, the estimates usage of asset, the operating condition of asset, anticipated technological changes and utility in the business, as below:

Asset	Estimated useful life
Vehicles	4 years
Network & servers	4 years

- All tangible and intangible assets costing less than ₹ 5,000 individually are fully depreciated in the year of purchase.

- Useful lives are reviewed at each financial year end and adjusted if required.

- Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any.

- Cost of an intangible asset includes purchase price, non-refundable taxes and duties and any other directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset is charged to the Statement of Profit and Loss as an expense unless it is probable that such expenditure will enable the intangible asset increase the future benefits from the existing asset beyond its previously assessed standard of performance and such expenditure can be measured and attributed to the intangible asset reliably, in which case, such expenditure is capitalised.

- Expenditure on software development eligible for capitalisation are carried as intangible assets under development where such assets are not yet ready for their intended use.

- Intangible assets are amortised on a straight-line basis over their estimated useful lives. The amortisation period and the amortisation method are reviewed at least at each reporting date. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

- Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss in the year of disposal.

The estimated useful lives of intangible assets used for amortisation are:

Asset	Estimated useful life
Computer software licenses	5 years
Electronic trading platform (Website)	5 years
Bombay Stock Exchange card	10 years

HDB Financial Services Limited

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. The cost of fixed assets comprise purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

Depreciation is charged over the estimated useful life of the fixed assets on a straight line basis in the manner prescribed in Schedule II of the Companies Act, 2013, except for assets as under:

Asset	Estimated useful life as assessed by the Company	Estimated useful life under Schedule II of Companies Act, 2013
Motor cars	4 years	8 years

- Improvements to lease hold premises are charged off over the primary period of lease or its useful life, whichever is lower.

- Items costing less than ₹ 5,000 are fully depreciated in the year of purchase.

- The Company has estimated Nil residual value at the end of the useful life for all block of assets.

- For assets purchased and sold during the year, depreciation is being provided on pro-rata basis by the Company.

Software and system development expenditure are capitalised at cost of acquisition including cost attributable to bring the same in working condition and the useful life of the same is estimated of 3 years with zero residual value. Any expenses on such software for support and maintenance payable annually are charged to the Statement of Profit and Loss.

5 Impairment of assets

Group

The Group assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Statement of Profit and Loss to the extent the carrying amount of assets exceeds their estimated recoverable amount.

6 Transactions involving foreign exchange

HDFC Bank Limited

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of integral foreign operations (representative offices) are translated at the weekly average closing rates and of non-integral foreign operations (foreign branches) at the monthly average closing rates.

Foreign currency monetary items of domestic and integral foreign operations are translated at the closing exchange rates notified by Foreign Exchange Dealers' Association of India ('FEDAI') as at the Balance Sheet date and the resulting net valuation profit or loss arising due to a net open position in any foreign currency is recognised in the Statement of Profit and Loss.

Both monetary and non-monetary foreign currency assets and liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the Balance Sheet date and the resulting profit / loss arising from exchange differences are accumulated in the Foreign Currency Translation Account until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS - 11, The Effects of Changes in Foreign Exchange Rates.

Foreign exchange spot and forward contracts outstanding as at the Balance Sheet date and held for trading, are revalued at the closing spot and forward rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities.
The USD-INR rate for valuation of contracts having longer maturities i.e. greater than one year is implied from MIFOR and LIBOR curves. For other currency pairs, the forward points (for rates / tenors not published by FEDAI) are obtained from Reuters for valuation of the FX deals. As directed by FEDAI to consider P&L on present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Statement of Profit and Loss. Foreign exchange contracts are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value).

Foreign exchange forward contracts not intended for trading, that are entered into to establish the amount of reporting currency required or available at the settlement date of a transaction and are outstanding at the Balance Sheet date, are effectively valued at the closing spot rate. The premia or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

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

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

HDFC Securities Limited

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognized in the Statement of Profit and Loss Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are translated at the closing exchange rate on that date. The exchange differences, if any, are recognised in the Statement of Profit and Loss and related assets and liabilities are accordingly restated in the Balance Sheet.

7 Derivative contracts

HDFC Bank Limited

The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance Sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Statement of Profit and Loss.

Derivative contracts designated as hedges are not marked to market unless their underlying transaction is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Statement of Profit and Loss in the relevant period. The Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. Hedge effectiveness is ascertained at the time of the inception of the hedge and periodically thereafter. Gains or losses arising from hedge ineffectiveness, if any, are recognised in the Statement of Profit and Loss.

Contingent liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

8 Revenue recognition

HDFC Bank Limited

- Interest income is recognised in the Statement of Profit and Loss on an accrual basis, except in the case of non-performing assets. Also in case of domestic advances, where interest is collected on rear end basis, such interest is accounted on receipt basis in accordance with the RBI guidelines.
- Interest income on investments in PTCs and loans bought out through the direct assignment route is recognised at their effective interest rate.
- Income on non-coupon bearing discounted instruments is recognised over the tenor of the instrument on a constant effective yield basis.
- Loan processing fee is recognised as income when due. Syndication / Arranger fee is recognised as income when a significant act / milestone is completed.
- Gain / loss on sell down of loans is recognised in line with the extant RBI guidelines.
- Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.
- Guarantee commission, commission on letter of credit, annual locker rent fees and annual fees for credit cards are recognised on a straight-line basis over the period of contract. Other fees and commission income are recognised when due, where the Bank is reasonably certain of ultimate collection.

HDFC Securities Limited

- Income from services rendered as a broker is recognised upon rendering of the services.
- Fees for subscription based services are received periodically but are recognised as earned on a pro-rata basis over the term of the contract.
- Commissions from distribution of financial products are recognised upon allotment of the securities to the applicant or as the case may be, issue of the insurance policy to the applicant.
- Commissions and fees recognised as aforesaid are exclusive of service tax, goods and service tax, securities transaction tax, stamp duties and other levies by SEBI and stock exchanges.
- Interest is earned on delayed payments from clients and amounts funded to them as well as term deposits with banks.
- Interest income is recognised on a time proportion basis taking into account the amount outstanding from customers or on the financial instrument and the rate applicable.
- Dividend income is recognised when the right to receive the dividend is established.

HDB Financial Services Limited

- Interest income is recognised in the Statement of Profit and Loss on an accrual basis. In case of Non Performing Assets (NPA) interest income is recognised upon realisation as per the RBI Guidelines. Interest accrued and not realised before the classification of the asset as an NPA is reversed and credited to the interest suspense account.
- Income from BPO services and other financial charges are recognised on an accrual basis, except in case of cheque bouncing charges, late payment charges, foreclosure charges and application money, which are accounted as and when received.

- Upfront / processing fees are recovered and recognised at the time of disbursement of loan.
- Income from dividend is recognised in the Statement of Profit and Loss when the right to receive is established.

HDB Employees Welfare Trust

- Income is recognised on accrual basis.

9 Employee benefits

HDFC Bank Limited

Employee Stock Option Scheme ('ESOS'):

The Employee Stock Option Scheme ('the Scheme') provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Bank follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price of the underlying stock over the exercise price as determined under the option plan. The market price is the closing price on the stock exchange where there is highest trading volume on the working day immediately preceding the date of grant. Compensation cost, if any is amortised over the vesting period.

Gratuity:

The Bank provides for gratuity to all employees. The benefit vests upon completion of five years of service and is in the form of lump sum payment to employees on resignation, retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. The Bank makes contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. In respect of erstwhile Lord Krishna Bank ('eLKB') employees, the Bank makes contribution to a fund set up by eLKB and administered by the Board of Trustees.

The defined gratuity benefit plans are valued by an independent actuary as at the Balance Sheet date using the projected unit credit method as per the requirement of AS-15, Employee Benefits, to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognised in the Statement of Profit and Loss.

Superannuation:

Employees of the Bank, above a prescribed grade, are entitled to receive retirement benefits under the Bank's Superannuation Fund. The Bank contributes a sum equivalent to 13% of the employee's eligible annual basic salary (15% for the whole time directors and for certain eligible erstwhile Centurion Bank of Punjab ('eCBoP') staff) to insurance companies, which administer the fund. The Bank has no liability for future superannuation fund benefits other than its contribution, and recognises such contributions as an expense in the year incurred, as such contribution is in the nature of defined contribution.

Provident fund:

In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund. The Bank contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary). Of this, the Bank contributes an amount equal to 8.33% of employee's basic salary up to a maximum salary level of ₹ 15,000/- per month, to the Pension Scheme administered by the Regional Provident Fund Commissioner ('RPFC'). The balance amount is contributed to a fund set up by the Bank and administered by a Board of Trustees. In respect of eCBoP employees, employer's and employee's share of contribution to Provident Fund till March 2009, was administered by RPFC and from April 2009 onwards, the same is transferred to the fund set up by the Bank and administered by the Board of Trustees. In respect of eLKB employees, the Bank contributes to a fund set up by eLKB and administered by a Board of Trustees. The Bank recognises such contributions as an expense in the year in which it is incurred. Interest payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the Bank.

The guidance note on implementing AS-15, Employee Benefits, states that benefits involving employer established provident funds, which require interest shortfalls to be provided, are to be considered as defined benefit plans. Actuarial valuation of this Provident Fund interest shortfall is done as per the guidance note issued in this respect by The Institute of Actuaries of India (IAI) and provision towards this liability is made.

The overseas branches of the Bank make contribution to the respective relevant government scheme calculated as a percentage of the employees' salaries. The Bank's obligations are limited to these contributions, which are expensed when due, as such contribution is in the nature of defined contribution.

Leave encashment / Compensated absences:

The Bank does not have a policy of encashing unavailed leave for its employees, except for certain eLKB employees under Indian Banks' Association ('IBA') structure. The Bank provides for leave encashment / compensated absences based on an independent actuarial valuation at the Balance Sheet date, which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation.

Pension:

In respect of pension payable to certain eLKB employees under IBA structure, which is a defined benefit scheme, the Bank contributes 10% of basic salary to a pension fund set up by the Bank and administered by the Board of Trustees and the balance amount is provided based on actuarial valuation as at the Balance Sheet date conducted by an independent actuary.

In respect of certain eLKB employees who had moved to a Cost to Company ('CTC') driven compensation structure and had completed less than 15 years of service, the contribution which was made until then, is maintained as a fund and will be converted into annuity on separation after a lock-in-period of two years. For this category of employees, liability stands frozen and no additional provision is required except for interest as applicable to Provident Fund, which is provided for.

In respect of certain eLKB employees who moved to a CTC structure and had completed service of more than 15 years, pension would be paid on separation based on salary applicable as on the date of movement to CTC structure. Provision thereto is made based on actuarial valuation as at the Balance Sheet date conducted by an independent actuary.

HDFC Securities Limited

Short term

Short term employee benefits include salaries and performance incentives. A liability is recognised for the amount expected to be paid under short-term cash bonus or target based incentives if the Company has a present legal or informal obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. These costs are recognised as an expense in the Statement of Profit and Loss at the undiscounted amount expected to be paid over the period of services rendered by the employees to the Company.

Long term

The Company offers its employees long term benefits by way of defined-contribution and defined-benefit plans, of which some have assets in special funds or securities. The plans are financed by the Company and in the case of some defined contribution plans by the Company along with its employees.

Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the National Pension Scheme, Employees' Provident Fund, Family Pension Fund and Superannuation Fund. The Company's payments to the defined-contribution plans are reported as expenses during the period in which the employees perform the services that the payment covers.

Defined-benefit plans

Expenses for defined-benefit gratuity plan are calculated as at the Balance Sheet date by an independent actuary in a manner that distributes expenses over the employee's working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees. The fair values of the plan assets are deducted in determining the net liability. When the fair value of plan assets exceeds the commitments computed as aforesaid, the recognised asset is limited to the net total of any cumulative past service costs and the present value of any economic benefits available in the form of reductions in future contributions to the plan.

Actuarial losses or gains are recognised in the Statement of Profit and Loss in the year in which they arise.

Other employee benefits

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be availed in twelve months immediately following the year in which the employee has rendered service are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits.

Share-based payment transactions

Equity settled stock options granted under the Company’s Employee Stock Option Schemes are accounted for as per the accounting treatment prescribed by the Guidance Note on Employee Share-based Payments issued by the Institute of Chartered Accountants of India. The intrinsic value of the option being excess of fair value of the underlying share immediately prior to date of grant over its exercise price is recognised as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Statement of Profit and Loss on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion and credit to deferred employee compensation expense equal to the unamortised portion.

HDB Financial Services Limited

Long term employee benefits

Gratuity

The Company provides for gratuity to all employees. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, or death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company makes annual contributions to fund administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The defined benefit plan are valued by an independent external actuary as at the Balance Sheet date using the projected unit credit method to determine the present value of defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognised in the Statement of Profit and Loss.

Provident fund

In accordance with the applicable law, all employees of the Company are entitled to receive benefits under the Provident Fund Act, 1952. The Company contributes an amount, on a monthly basis, at a determined rate to the Pension Scheme administered by the Regional Provident Fund Commissioner ('RPFC') and the Company has no liability for future provident fund benefits other than its annual contribution. Since it is a defined contribution plan, the contributions are accounted for on an accrual basis and recognized in the Statement of Profit and Loss.

Compensated absences

The Company does not have a policy of encashment of unavailed leaves for its employees but are permitted to carry forward subject to a prescribed maximum days. The Company provides for compensated absences in accordance with AS 15 (revised 2005) Employee Benefits issued by Institute of Chartered Accountants of India. The provision is based on an independent external actuarial valuation at the Balance Sheet date.

10 Debit and credit cards reward points

HDFC Bank Limited

The Bank estimates the probable redemption of debit and credit card reward points and cost per point using an actuarial method by employing an independent actuary, which includes assumptions such as mortality, redemption and spends. Provisions for liabilities on the outstanding reward points are made based on the actuarial valuation report as furnished by the said independent actuary and included in other liabilities.

11 Bullion

HDFC Bank Limited

The Bank imports bullion including precious metal bars on a consignment basis. The imports are typically on a back-to-back basis and are priced to the customer based on the price quoted by the supplier. The difference between the price recovered from customers and cost of bullion is classified under 'Commission Income'.

The Bank also deals in bullion on a borrowing and lending basis and the interest paid / received thereon is classified as interest expense / income respectively.

12 Lease accounting

Group

Lease payments including cost escalation for assets taken on operating lease are recognised in the Statement of Profit and Loss over the lease term on a straight-line basis in accordance with the AS-19, Leases.

13 Income tax

Group

Income tax expense comprises current tax provision (i.e. the amount of tax for the period determined in accordance with the Income Tax Act, 1961, the rules framed there under and considering the material principles set out in Income Computation and Disclosure Standards) and the net change in the deferred tax asset or liability during the year. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences between the carrying values of assets and liabilities and their respective tax bases, and operating loss carried forward, if any. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates as at the Balance Sheet date.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each Balance Sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realised.

14 Earnings per share

Group

The Group reports basic and diluted earnings per equity share in accordance with AS-20, Earnings per Share. Basic earnings per equity share has been computed by dividing net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted to equity during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and the dilutive potential equity shares outstanding during the period except where the results are anti-dilutive.

15 Share issue expenses

HDFC Bank Limited

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

16 Segment information

Group

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

17 Accounting for provisions, contingent liabilities and contingent assets

Group

In accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets, the Group recognises provisions when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Provisions are determined based on management estimate required to settle the obligation at the Balance Sheet date, supplemented by experience of similar transactions. These are reviewed at each Balance Sheet date and adjusted to reflect the current management 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 the 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, if any, are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

Onerous contracts

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

18 Cash and cash equivalents

Group

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

19 Corporate social responsibility

Group

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013, are recognised in the Statement of Profit and Loss.

SCHEDULE 18 - Notes forming part of the consolidated financial statements for the year ended March 31, 2018

Amounts in notes forming part of the consolidated financial statements for the year ended March 31, 2018 are denominated in rupee crore to conform to extant RBI guidelines, except where stated otherwise.

1 Amalgamation of Atlas Documentary Facilitators Company Private Limited and HBL Global Private Limited with HDB Financial Services Limited

During the year ended March 31, 2017, Atlas Documentary Facilitators Company Private Limited and HBL Global Private Limited, associates of the Bank as at March 31, 2016, amalgamated with HDB Financial Services Limited, pursuant to the approval of the Honourable High courts of Gujarat and Bombay with effect from December 1, 2016. The appointed date of the merger as per the scheme of amalgamation was April 1, 2014. Accordingly, the consolidated financial statements include the effect of the said amalgamation.

2 Proposed dividend

The Board of Directors of the Bank, at their meeting held on April 21, 2018, have proposed a dividend of ₹ 13.00 per equity share (previous year: ₹ 11.00) aggregating ₹ 4,067.07 crore (previous year: ₹ 3,392.71 crore), inclusive of tax on dividend. The proposal is subject to the approval of shareholders at the Annual General Meeting. In terms of the revised Accounting Standard (AS) 4 'Contingencies and Events Occurring After the Balance Sheet Date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated the proposed dividend from the Statement of Profit and Loss. However, the effect of the proposed dividend has been reckoned in determining consolidated capital funds in the computation of the capital adequacy ratios.

3 Capital infusion

During the year ended March 31, 2018, the Bank allotted 3,25,44,550 equity shares (previous year: 3,43,59,200 equity shares) aggregating to face value ₹ 6.51 crore (previous year: ₹ 6.87 crore) in respect of stock options exercised. Accordingly, the share capital increased by ₹ 6.51 crore (previous year: ₹ 6.87 crore) and the share premium increased by ₹ 2,719.40 crore (previous year: ₹ 2,254.64 crore).

The Board of Directors of the Bank, at their meeting held on December 20, 2017 approved the raising of funds aggregating up to ₹ 24,000 crore, of which an amount up to a maximum of ₹ 8,500 crore shall be through the issuance of equity shares of face value of ₹ 2/- each pursuant to a preferential issue to Housing Development Finance Corporation Limited (the Bank's promoters) and the balance shall be through the issuance of equity shares/ convertible securities/ depository receipts pursuant to a Qualified Institutions Placement (QIP)/ American Depository Receipts (ADR)/ Global Depository Receipt (GDR) program. The said raising of funds was approved by the shareholders of the Bank at its Extra Ordinary General meeting held on January 19, 2018. and is subject to the receipt of all relevant regulatory approvals.

The details of the movement in the paid-up equity share capital of the Bank are given below:

₹ in '000

Particulars	March 31, 2018	March 31, 2017
Opening balance	512.51	505.64
Addition pursuant to stock options exercised	6.51	6.87
Closing balance	519.02	512.51

4 Earnings per equity share

Basic and diluted earnings per equity share have been calculated based on the consolidated net profit after tax attributable to the Group of ₹ 18,510.02 crore (previous year: ₹ 15,253.03 crore) and the weighted average number of equity shares outstanding during the year of 2,58,05,38,505 (previous year: 2,54,43,33,609).

Following is the reconciliation between the basic and diluted earnings per equity share:

Particulars	For the years ended	
	March 31, 2018	March 31, 2017
Nominal value per share (₹)	2.00	2.00
Basic earnings per share (₹)	71.73	59.95
Effect of potential equity shares (per share) (₹)	(0.97)	(0.79)
Diluted earnings per share (₹)	70.76	59.16

Basic earnings per equity share has been computed by dividing the net profit for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share has been computed by dividing the net profit for the year attributable to the equity shareholders by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. The dilutive impact is on account of stock options granted to employees by the Bank. There is no impact of dilution on the profits in the current year and previous year.

Following is the reconciliation of the weighted average number of equity shares used in the computation of basic and diluted earnings per share:

Particulars	For the years ended	
	March 31, 2018	March 31, 2017
Weighted average number of equity shares used in computing basic earnings per equity share	2,58,05,38,505	2,54,43,33,609
Effect of potential equity shares outstanding	3,55,30,885	3,40,55,428
Weighted average number of equity shares used in computing diluted earnings per equity share	2,61,60,69,390	2,57,83,89,037

5 Reserves and Surplus

Draw down from reserves

Share Premium

The Bank has not undertaken any drawdown from share premium during the years ended March 31, 2018 and March 31, 2017.

Statutory Reserve

The Bank and a subsidiary has made an appropriation of ₹ 4,562.03 crore (previous year: ₹ 3,777.16 crore) out of profits for the year ended March 31, 2018 to the Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

Capital Reserve

During the year ended March 31, 2018, the Bank appropriated ₹ 235.52 crore (previous year: ₹ 313.41 crore), being the profit from sale of investments under HTM category and profit on sale of immovable properties, net of taxes and transfer to statutory reserve, from the Profit and Loss Account to the Capital Reserve.

General Reserve

The Bank has made an appropriation of ₹ 1,748.67 crore (previous year: ₹ 1,454.96 crore) out of profits for the year ended March 31, 2018 to the General Reserve.

Investment Reserve Account

During the year ended March 31, 2018, the Bank has transferred ₹ 44.20 crore (net) from the Investment Reserve Account to the Profit and Loss Account as per the RBI guidelines. In the previous year, the Bank had appropriated ₹ 4.29 crore (net) from the Profit and Loss Account to the Investment Reserve Account as per RBI guidelines.

6 Dividend on shares allotted pursuant to exercise of stock options

The Bank may allot equity shares after the Balance Sheet date but before the book closure date pursuant to the exercise of any employee stock options. These equity shares will be eligible for full dividend for the year ended March 31, 2018, if approved at the ensuing Annual General Meeting.

7 Accounting for employee share based payments

HDFC Bank Limited

The shareholders of the Bank approved the grant of equity share options under Plan “C” in June 2005, Plan “D” in June 2007, Plan “E” in June 2010, Plan “F” in June 2013 and Plan “G” in July 2016. Under the terms of each of these Plans, the Bank may issue to its employees and Whole Time Directors, Equity Stock Options (‘ESOPs’) each of which is convertible into one equity share. All the plans were framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time and as applicable at the time of the grant. The accounting for the stock options has been in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014 to the extent applicable.

Plans C, D, E, F and G provide for the issuance of options at the recommendation of the Nomination and Remuneration Committee of the Board ('NRC') at the closing price on the working day immediately preceding the date when options are granted. This closing price is the closing price of the Bank's equity share on an Indian stock exchange with the highest trading volume as of the working day preceding the date of grant.

The vesting conditions applicable to the options are at the discretion of the NRC. These options are exercisable on vesting, for a period as set forth by the NRC at the time of grant. The period in which the options may be exercised cannot exceed five years. During the years ended March 31, 2018 and March 31, 2017, no modifications were made to the terms and conditions of ESOPs as approved by the NRC.

Activity in the options outstanding under the Employee Stock Option Plans

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2018:

Particulars	Number of options	Weighted average exercise price (₹)
Options outstanding, beginning of year	9,21,56,300	904.97
Granted during the year	1,68,82,050	1,433.23
Exercised during the year	3,25,44,550	837.59
Forfeited / Lapsed during the year	10,50,000	1,050.05
Options outstanding, end of year	7,54,43,800	1,050.22
Options exercisable	4,68,10,250	901.44

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2017:

Particulars	Number of options	Weighted average exercise price (₹)
Options outstanding, beginning of year	12,86,54,300	840.19
Granted during the year	-	-
Exercised during the year	3,43,59,200	658.20
Forfeited / Lapsed during the year	21,38,800	972.97
Options outstanding, end of year	9,21,56,300	904.97
Options exercisable	5,63,14,000	835.06

- The following table summarises the information about stock options outstanding as at March 31, 2018:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan C	680.00 to 835.50	32,61,500	1.32	685.72
Plan D	680.00	16,35,700	1.43	680.00
Plan E	680.00	62,24,900	1.51	680.00
Plan F	835.50 to 1,462.15	6,43,21,700	3.59	1,113.95

- The following table summarises the information about stock options outstanding as at March 31, 2017:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan C	680.00 to 835.50	46,44,400	2.34	690.91
Plan D	680.00	33,34,300	2.33	680.00
Plan E	468.40 to 680.00	1,50,94,600	2.18	650.01
Plan F	835.50 to 1,097.80	6,90,83,000	3.90	985.92

Fair value methodology

The fair value of options used to compute the proforma net profit and earnings per equity share have been estimated on the dates of each grant using the binomial option-pricing model. The Bank estimates the volatility based on the historical prices of its equity shares. The Bank granted 1,68,82,050 options during the year ended March 31, 2018 (previous year: Nil). The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2018 are:

Particulars	March 31, 2018
Dividend yield	0.65% to 0.66%
Expected volatility	19.94% to 21.65%
Risk - free interest rate	6.73% to 7.20%

Particulars	March 31, 2018
Expected life of the options	1- 7.25 years

Impact of the fair value method on the net profit and earnings per share

Had the compensation cost for the Bank's stock option plans been determined based on the fair value approach, the Bank's net profit for the year and earnings per share would have been as per the *proforma* amounts indicated below:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Net profit (as reported)	17,486.75	14,549.66
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock based compensation expense determined under fair value based method (proforma)	650.41	812.75
Net profit (proforma)	16,836.34	13,736.91
	(₹)	(₹)
Basic earnings per share (as reported)	67.76	57.18
Basic earnings per share (proforma)	65.24	53.99
Diluted earnings per share (as reported)	66.84	56.43
Diluted earnings per share (proforma)	64.36	53.28

HDFC Securities Limited

The Shareholders of the Company approved a stock option scheme (viz. ESOS - II) in February 2017 ("Company Options"). Under the terms of the scheme, the Company issues stock options to employees, whole time director, managing director and directors (excluding Independent Directors) of the Company, each of which is convertible into one equity share.

Scheme ESOS - II provides for the issuance of options at the recommendation of the Compensation Committee of the Board of Directors (the "Compensation Committee") at a price of ₹ 1,136/- per share, being the fair market value of the share arrived by considering the average price of the two independent valuation reports. Method of settlement of this options are equity shares of the Company. Weighted average remaining contractual life of these options is 22 months.

Such options vest at definitive dates, save for specific incidents, prescribed in the scheme as framed/approved by the Compensation Committee. Such options are exercisable for a period following the vesting at the discretion of the Compensation Committee.

Method used for accounting for shared based payment plan

The Company uses the Intrinsic Value method to account for the compensation cost of stock options to employees of the Company.

Activity in the options outstanding under the Employee Stock Options Plan

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2018:

Particulars	Company options	Weighted average exercise price (₹)
Options outstanding, beginning of year	2,80,000	1,136
Granted during the year	-	-
Exercised during the year	69,550	1,136
Forfeited / Lapsed during the year	9,000	1,136
Options outstanding, end of year	2,01,450	1,136
Options exercisable	2,01,450	1,136

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2017:

Particulars	Company options	Weighted average exercise price (₹)
Options outstanding, beginning of year	-	-
Granted during the year	2,80,000	1,136
Exercised during the year	-	-
Forfeited / Lapsed during the year	-	-
Options outstanding, end of year	2,80,000	1,136
Options exercisable	-	-

- The following table summarises the information about stock options outstanding as at March 31, 2018:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
Company Options	1,136	201,450	1.8 Years	1,136

- The following table summarises the information about stock options outstanding as at March 31, 2017:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
Company Options	1,136	2,80,000	4.1 years	1,136

Fair value methodology

The fair value of options used to compute *pro forma* net income and earnings per equity share have been estimated on dates of each grant using the Black and Scholes model. The shares of the Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of its stock price as an average of the historical volatility of similar listed enterprises for the purpose of calculating the fair value to reduce any company specific variations. The various assumptions considered in the pricing model for the stock options granted by the Company.

Particulars	March 31, 2017
Dividend yield	3.52%
Expected volatility	43.53% to 42.48%
Risk - free interest rate	6.60% to 6.90%
Expected life of the options	3 to 5 years

Impact of the fair value method on the net profit and earning per share

Had compensation cost for the Company's stock option plans been determined based on the fair value approach, the Company's net profit and earnings per share would have been as per the pro forma amounts indicated below:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Net Profit (as reported)	344.42	215.90
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method (proforma)	2.64	0.78
Net Profit (proforma)	341.78	215.12
	(₹)	(₹)
Basic earnings per share (as reported)	222.40	139.45
Basic earnings per share (proforma)	220.69	138.95
Diluted earnings per share (as reported)	221.84	139.45
Diluted earnings per share (proforma)	220.14	138.95

HDB Financial Services Limited

In accordance with resolution approved by the shareholders, the Company has reserved shares, for issue to employees through ESOP Scheme. On the approval of Nomination and Remuneration Committee (NRC), each ESOP scheme is issued. The NRC has approved stock option schemes ESOS-5 on July 27, 2011, ESOS-6 on June 11, 2012, ESOS-7 on July 19, 2013, ESOP-8 on July 14, 2015, ESOS-9 on October 18, 2016 and ESOP-10 on October 13, 2017. Under the term of the schemes, the Company may issue stock options to employees and directors of the Company, each of which is convertible into one equity share.

Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed/approved by the NRC. Such options are exercisable for a period following vesting at the discretion of the NRC, subject to a maximum of two years from the date of vesting for ESOP-5, ESOP-6, ESOP-7 and ESOP-8 and maximum of four years from the date of vesting for ESOP-9 and ESOP-10.

Method used for accounting for shared based payment plan

The Company uses intrinsic value to account for the compensation cost of stock options to employees of the Company.

Activity in the options outstanding under the Employee Stock Option Plans

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2018:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	58,78,660	112.46
Granted during the year	33,40,250	213.00
Exercised during the year	26,91,960	106.74
Forfeited / Lapsed during the year	2,57,000	114.01
Options outstanding, end of year	62,69,950	168.41

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2017:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	48,42,950	88.41
Granted during the year	31,17,500	137.00
Exercised during the year	15,79,440	77.86
Forfeited / Lapsed during the year	5,02,350	93.46
Options outstanding, end of year	58,78,660	112.46

The following table summarises the information about stock options outstanding as at March 31, 2018:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
ESOS - 8	88.00	11,15,000	2.47	88.00
ESOS - 9	137.00	18,44,200	5.02	137.00
ESOS-10	213.00	33,10,750	5.69	213.00

The following table summarises the information about stock options outstanding as at March 31, 2017:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
ESOS - 6	31.00	1,200	0.50	31.00
ESOS - 7	56.00	1,02,700	0.50	56.00
ESOS - 8	88.00	27,71,260	2.74	88.00
ESOS - 9	137.00	30,03,500	5.49	137.00

Fair Value methodology

The fair value of options used to compute *proforma* net income and earnings per equity share have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of its stock price as zero, since historical volatility of similar listed enterprise was not available. The various assumptions considered in the pricing model for the stock options granted by the Company during the year ended March 31, 2018 are:

Particulars	March 31, 2018	March 31, 2017
Dividend yield	0.70%	0.88%
Expected volatility	Nil	Nil
Risk-free interest rate	6.44%	6.54%
Expected life of the option	3.05 years	3 years

Impact of the fair value method on the net profit and earning per share

Had compensation cost for the Company's stock option plans been determined based on the fair value approach, the Company's net profit and earnings per share would have been as per the proforma amounts indicated below:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Net Profit (as reported)	951.74	684.21
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method (proforma)	12.03	8.36
Net Profit (proforma)	939.71	675.85
	(₹)	(₹)
Basic earnings per share (as reported)	12.18	9.64
Basic earnings per share (proforma)	12.03	9.52
Diluted earnings per share (as reported)	12.16	9.64
Diluted earnings per share (proforma)	12.01	9.52

Group

Impact of the fair value method on the net profit and earning per share of the Group

Had compensation cost for the stock option plans outstanding been determined based on the fair value approach, the Group's net profit and earnings per share would have been as per the proforma amounts indicated below:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Net Profit (as reported)	18,510.02	15,253.03
Less: Stock-based compensation expense determined under fair value based method (proforma)	665.08	821.89
Net Profit (proforma)	17,844.94	14,431.14
	(₹)	(₹)
Basic earnings per share (as reported)	71.73	59.95
Basic earnings per share (proforma)	69.15	56.72
Diluted earnings per share (as reported)	70.76	59.16
Diluted earnings per share (proforma)	68.21	55.97

8 Other liabilities

The Bank has presented gross unrealised gain on foreign exchange and derivative contracts under other assets and gross unrealised loss on foreign exchange and derivative contracts under other liabilities. Accordingly, other liabilities as at March 31, 2018 include unrealised loss on foreign exchange and derivative contracts of ₹ 5,093.04 crore (previous year: ₹ 13,880.38 crore).

9 Investments

HDFC Bank Limited

The details of securities that are kept as margin are as under:

(₹ crore)

Sr. No.	Particulars		Face value as at March 31, 2018	2017
I.	Securities kept as margin with Clearing Corporation of India towards:			
	a)	Collateral and funds management – Securities segment	1,520.00	1,520.00
	b)	Collateral and funds management – Collateralised Borrowing and Lending Obligation (CBLO) segment	25,770.78	24,488.31
	c)	Default fund – Forex Forward segment	100.00	100.00
	d)	Default fund – Forex Settlement segment	41.05	11.05
	e)	Default fund – Rupee Derivatives (Guaranteed Settlement) segment	41.00	41.00
	f)	Default fund – Securities segment	65.00	65.00
	g)	Default fund – CBLO segment	25.00	25.00
II.	Securities kept as margin with the RBI towards:			
	a)	Real Time Gross Settlement (RTGS)	90,130.65	42,730.27
	b)	Repo transactions	16,307.49	41,473.92
	c)	Reverse repo transactions	58,341.00	4,690.56

Sr. No.	Particulars	Face value as at March 31,	
		2018	2017
III.	Securities kept as margin with National Securities Clearing Corporation of India (NSCCIL) towards NSE Currency Derivatives segment.	16.00	16.00
IV.	Securities kept as margin with Indian Clearing Corporation Limited towards BSE Currency Derivatives segment.	241.00	5.00
V.	Securities kept as margin with Metropolitan Clearing Corporation of India towards MCX Currency Derivatives segment.	13.00	13.00

HDFC Securities Limited

(₹ crore)

Sr. No.	Particulars	2018	2017
I.	Mutual funds marked as lien with stock exchange for margin requirement	599.06	182.56

10 Other fixed assets

Other fixed assets includes amount capitalised relating to software, Bombay Stock Exchange card and electronic trading platform. Details regarding the same are tabulated below:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Cost		
As at March 31 of the previous year	2,188.08	1,774.82
Additions during the year	266.40	413.26
Deductions during the year	-	-
Total (a)	**2,454.48**	**2,188.08**
Depreciation		
As at March 31 of the previous year	1,509.12	1,248.71
Charge for the year	282.61	260.41
On deductions during the year	-	-
Total (b)	**1,791.73**	**1,509.12**
Net value (a-b)	**662.75**	**678.96**

11 Other assets

Other assets include deferred tax asset (net) of ₹ 3,532.07 crore (previous year: ₹ 2,587.06 crore). The break-up of the same is as follows:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Deferred tax asset arising out of:		
Loan loss provisions	2,945.98	2,207.53
Employee benefits	186.11	175.39
Others	446.58	322.66
Total (a)	**3,578.67**	**2,705.58**
Deferred tax liability arising out of:		
Depreciation	(46.60)	(118.52)
Total (b)	**(46.60)**	**(118.52)**
Deferred tax asset (net) (a-b)	**3,532.07**	**2,587.06**

12 Provisions and contingent liabilities

Given below is the movement in provisions and a brief description of the nature of contingent liabilities recognised by the Bank.

a) Provision for credit card and debit card reward points

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Opening provision for reward points	431.24	306.36
Provision for reward points made during the year	261.95	334.24
Utilisation / write back of provision for reward points	(222.07)	(209.36)

Particulars	March 31, 2018	March 31, 2017
Closing provision for reward points	471.12	431.24

b) Provision for legal and other contingencies

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Opening provision	311.90	344.56
Movement during the year (net)	2.11	(32.66)
Closing provision	314.01	311.90

c) Provision pertaining to fraud accounts

Particulars	March 31, 2018	March 31, 2017
No. of frauds reported during the year	3,612	2,319
Amount involved in fraud (₹ crore)	146.55	165.20
Amount involved in fraud net of recoveries / write-offs as at the end of the year (₹ crore)	119.02	20.83
Provisions held as at the end of the year (₹ crore)	119.02	20.83
Amount of unamortised provision debited from "other reserves" as at the end of the year (₹ crore)	-	-

d) Description of contingent liabilities

Sr. No.	Contingent liability*	Brief description
1	Claims against the Group not acknowledged as debts - taxation	The Group is a party to various taxation matters in respect of which appeals are pending. The Group expects the outcome of the appeals to be favourable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and taxation laws.
2	Claims against the Group not acknowledged as debts - others	The Group is a party to various legal proceedings in the normal course of business. The Group does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, results of operations or cash flows.
3	Liability on account of forward exchange and derivative contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants 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 one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts of financial instruments such as foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the Balance Sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms.
4	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the Bank's customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
5	Other items for which the Group is contingently liable	These include: a) Credit enhancements in respect of securitised-out loans; b) Bills rediscounted by the Bank; c) Capital commitments; d) Underwriting commitments; e) Investment purchases pending settlement; f) Amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF).

* *Also refer Schedule 12 - Contingent liabilities*

13 Commission, exchange and brokerage income

Commission, exchange and brokerage income is net of correspondent bank charges.

14 Provisions and contingencies

The break-up of 'Provisions and Contingencies' included in the Statement of Profit and Loss is given below:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Provision for income tax - Current	10,848.11	8,424.16
- Deferred	(945.03)	(346.04)
Provision for NPAs	5,487.32	3,503.37
Provision for diminution in value of non-performing investments	30.80	(7.64)
Provision for standard assets	657.58	431.23
Other provisions and contingencies*	396.12	63.85
Total	16,474.90	12,068.93

* *Includes provisions for tax, legal and other contingencies ₹ 396.98 crore (previous year: ₹ 38.72 crore), floating provisions Nil (previous year: ₹ 25.00 crore), provisions / (write back) for securitised-out assets ₹ 2.14 crore (previous year: ₹ 2.62 crore) and standard restructured assets ₹ (3.00) crore (previous year: ₹ (2.50) crore).*

15 Employee benefits

Gratuity

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	548.50	401.93
Addition due to amalgamation	-	33.48
Interest cost	39.12	29.11
Current service cost	78.58	74.76
Benefits paid	(48.11)	(45.47)
Actuarial (gain) / loss on obligation:		
Experience adjustment	13.69	39.69
Assumption change	(17.72)	15.00
Present value of obligation as at March 31	**614.06**	**548.50**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	390.23	295.46
Addition due to amalgamation	-	20.76
Expected return on plan assets	29.87	24.83
Contributions	87.71	60.10
Benefits paid	(48.11)	(45.47)
Actuarial gain / (loss) on plan assets:	-	
Experience adjustment	(2.35)	31.19
Assumption change	-	3.36
Fair value of plan assets as at March 31	**457.35**	**390.23**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	457.35	390.23
Present value of obligation as at March 31	(614.06)	(548.50)
Asset / (liability) as at March 31	**(156.71)**	**(158.27)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	39.12	29.11
Current service cost	78.58	74.76
Expected return on plan assets	(29.87)	(24.83)
Net actuarial (gain) / loss recognised in the year	(1.68)	20.13
Net cost	**86.15**	**99.17**
Actual return on plan assets	27.52	59.38
Estimated contribution for the next year	114.31	94.73
Assumptions (HDFC Bank Limited)		
Discount rate	7.5% per annum	7.1% per annum

Particulars	March 31, 2018	March 31, 2017
Expected return on plan assets	7.0% per annum	7.0% per annum
Salary escalation rate	8.0% per annum	8.0% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	7.4% per annum	6.8% per annum
Expected return on plan assets	8.0% per annum	7.6% per annum
Salary escalation rate	11.0% per annum	12.0% per annum
Assumptions (HDB Financial Services Limited)		
Discount rate	7.2% per annum	6.4% - 6.5% per annum
Expected return on plan assets	7.5 % per annum	7.5 % per annum
Salary escalation rate	5.0% - 7.0% per annum	5.0% - 7.5% per annum

Experience adjustment

(₹ crore)

Particulars	Years ended March 31,				
	2018	2017	2016	2015	2014
Plan assets	457.35	390.23	295.46	248.13	176.20
Defined benefit obligation	614.06	548.50	401.93	318.37	242.71
Surplus / (deficit)	(156.71)	(158.27)	(106.47)	(70.24)	(66.51)
Experience adjustment gain / (loss) on plan assets	(2.35)	31.19	(13.61)	21.27	1.82
Experience adjustment (gain) / loss on plan liabilities	13.69	39.69	16.27	4.84	6.30

Expected rate of return on investments is determined based on the assessment made by the Group at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as of March 31, 2018 are given below:

Category of plan assets	HDFC Bank Limited	HDFC Securities Limited	HDB Financial Services Limited
Government securities	25.2%	43.0%	93.1%
Debenture and bonds	28.9%	43.0%	4.1%
Equity shares	43.1%	11.0%	-
Others	2.8%	3.0%	2.8%
Total	100.0%	100.0%	100.0%

Pension

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	73.55	70.88
Interest cost	5.19	4.80
Current service cost	0.74	1.23
Benefits paid	(8.75)	(6.62)
Actuarial (gain) / loss on obligation:		
Experience adjustment	3.95	4.65
Assumption change	(1.62)	(1.39)
Present value of obligation as at March 31	**73.06**	**73.55**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	36.16	38.38
Expected return on plan assets	2.36	2.61
Contributions	0.94	1.03
Benefits paid	(8.75)	(6.62)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	0.59	0.39
Assumption change	-	0.37
Fair value of plan assets as at March 31	**31.30**	**36.16**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	31.30	36.16

Particulars	March 31, 2018	March 31, 2017
Present value of obligation as at March 31	(73.06)	(73.55)
Asset / (liability) as at March 31	**(41.76)**	**(37.39)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	5.19	4.80
Current service cost	0.74	1.23
Expected return on plan assets	(2.36)	(2.61)
Net actuarial (gain) / loss recognised in the year	1.74	2.50
Net cost	**5.31**	**5.92**
Actual return on plan assets	2.95	3.37
Estimated contribution for the next year	13.79	7.18
Assumptions		
Discount rate	7.5% per annum	7.1% per annum
Expected return on plan assets	7.0% per annum	7.0% per annum
Salary escalation rate	8.0% per annum	8.0% per annum

Experience adjustment

(₹ crore)

Particulars	Years ended March 31,				
	2018	**2017**	**2016**	**2015**	**2014**
Plan assets	31.30	36.16	38.38	41.91	47.99
Defined benefit obligation	73.06	73.55	70.88	57.45	58.89
Surplus / (deficit)	(41.76)	(37.39)	(32.50)	(15.54)	(10.90)
Experience adjustment gain / (loss) on plan assets	0.59	0.39	1.43	(2.38)	3.45
Experience adjustment (gain) / loss on plan liabilities	3.95	4.65	17.35	(0.19)	3.62

Expected rate of return on investments is determined based on the assessment made by the Bank at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as of March 31, 2018 are given below:

Category of plan assets	% of fair value to total plan assets as at March 31, 2018
Government securities	5.9%
Debenture and bonds	78.9%
Others	15.2%
Total	**100.0%**

Provident fund

The guidance note on AS-15, Employee Benefits, states that employer established provident funds, where interest is guaranteed are to be considered as defined benefit plans and the liability has to be valued. The Institute of Actuaries of India (IAI) has issued a guidance note on valuation of interest rate guarantees on exempt provident funds. The actuary has accordingly valued the same and the Bank held a provision of Nil as at March 31, 2018 (previous year: Nil) towards the present value of the guaranteed interest benefit obligation. The actuary has followed the deterministic approach as prescribed by the guidance note.

Assumptions:

Particulars	March 31, 2018	March 31, 2017
Discount rate (GOI security yield)	7.5% per annum	7.1% per annum
Expected guaranteed interest rate	8.6% per annum	8.7% per annum

The Bank does not have any unfunded defined benefit plan. The Group contributed ₹ 308.21 crore (previous year: ₹ 292.00 crore) to the provident fund. The Bank contributed ₹ 67.68 crore (previous year: ₹ 78.67 crore) to the superannuation plan.

Compensated absences

The actuarial liability of compensated absences of accumulated privileged and sick leaves of the employees of the Group is given below:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Privileged leave	283.08	254.28
Sick leave	62.67	**56.12**
Total actuarial liability	**345.75**	**310.40**
Assumptions (HDFC Bank Limited)		
Discount rate	7.5% per annum	7.1% per annum
Salary escalation rate	8.0% per annum	8.0% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	7.4% per annum	6.8% per annum
Salary escalation rate	11.0% per annum	12.0% per annum
Assumptions (HDB Financial Services Limited)		
Discount rate	7.2% per annum	6.4% - 6.5% per annum
Salary escalation rate	5.0% - 7.0% per annum	5.0% - 7.5% per annum

16 Segment reporting

Business segments

Business segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by RBI. The Group operates in the following segments:

(a) Treasury

The treasury segment primarily consists of net interest earnings from the Bank's investment portfolio, money market borrowing and lending, gains or losses on investment operations and on account of trading in foreign exchange and derivative contracts.

(b) Retail banking

The retail banking segment of the Bank serves retail customers through a branch network and other delivery channels. This segment raises deposits from customers and provides loans and other services to customers with the help of specialist product groups. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof.

Revenues of the retail banking segment are derived from interest earned on retail loans, interest earned from other segments for surplus funds placed with those segments, subvention received from dealers and manufacturers, fees from services rendered, foreign exchange earnings on retail products etc. Expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.

(c) Wholesale banking

The wholesale banking segment provides loans, non-fund facilities and transaction services to large corporates, emerging corporates, public sector units, government bodies, financial institutions and medium scale enterprises. Revenues of the wholesale banking segment consist of interest earned on loans made to customers, interest / fees earned on the cash float arising from transaction services, earnings from trade services and other non-fund facilities and also earnings from foreign exchange and derivative transactions on behalf of customers. 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 of delivery channels, specialist product groups, processing units and support groups.

(d) Other banking business

This segment includes income from para banking activities such as credit cards, debit cards, third party product distribution, primary dealership business and the associated costs. This segment also includes Bank's subsidiaries.

(e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes capital and reserves, debt classified as Tier I or Tier II capital and other unallocable assets and liabilities such as deferred tax, prepaid expenses, etc.

Segment revenue includes earnings from external customers plus earnings from funds transferred to other segments. Segment result includes revenue less interest expense less operating expense and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Interest income is charged by a segment that provides funding to another segment, based on yields benchmarked to an internally approved yield curve or at a certain agreed transfer price rate. Transaction charges are levied by the retail banking segment to the wholesale banking segment for the use by its customers of the retail banking segment's branch network or other delivery channels. Such transaction costs are determined on a cost plus basis. Segment capital employed represents the net assets in that segment.

Geographic segments

The geographic segments of the Bank are categorised as domestic operations and foreign operations. Domestic operations comprise branches in India and foreign operations comprise branches outside India.

Segment reporting for the year ended March 31, 2018 is given below:

Business segments:

(₹ crore)

Sr. No.	Particulars	Treasury	Retail Banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	19,841.37	73,843.05	41,504.13	18,141.93	153,330.48
2	Unallocated revenue					-
3	Less: Inter-segment revenue					51,986.03
4	Income from operations (1) + (2) - (3)					101,344.45
5	Segment results	1,540.00	9,971.72	11,720.51	7,254.51	30,486.74
6	Unallocated expenses					2,022.81
7	Income tax expense (including deferred tax)					9,903.08
8	Net profit (5) - (6) - (7)					18,560.85
9	Segment assets	350,894.38	371,906.59	297,040.57	76,847.35	1,096,688.89
10	Unallocated assets					6,497.28
11	Total assets (9) + (10)					1,103,186.17
12	Segment liabilities	55,349.70	598,785.46	270,287.20	39,672.93	964,095.29
13	Unallocated liabilities					29,135.42
14	Total liabilities (12) + (13)					993,230.71
15	Capital employed (9) - (12) (Segment assets - Segment liabilities)	295,544.68	(226,878.87)	26,753.37	37,174.42	132,593.60
16	Unallocated (10) - (13)					(22,638.14)
17	Total (15) + (16)					109,955.46
18	Capital expenditure	5.77	729.47	73.05	164.81	973.10
19	Depreciation	11.58	723.91	92.36	138.93	966.78
20	Provisions for non - performing assets/ others*	35.36	3,539.06	1,565.79	1,417.43	6,557.64
21	Unallocated other provisions*					14.18

* *Represents material non-cash charge other than depreciation and taxation*

Geographic segments:

(₹ crore)

Particulars	Domestic	International
Revenue	100,526.33	818.12
Assets	1,076,239.64	26,946.53
Capital expenditure	972.75	0.35

Segment reporting for the year ended March 31, 2017 is given below:

Business segments:

(₹ crore)

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	20,326.18	66,147.50	32,587.85	13,593.23	132,654.76
2	Unallocated revenue					-
3	Less: Inter-segment revenue					46,505.77
4	Income from Operations (1) + (2) – (3)					86,148.99
5	Segment results	1,659.11	8,432.16	10,123.04	4,591.77	24,806.08
6	Unallocated expenses					1,440.55
7	Income Tax expense (including deferred tax)					8,078.12
8	Net profit (5) – (6) – (7)					15,287.41
9	Segment assets	263,356.40	295,828.92	272,148.83	55,709.83	887,043.98
10	Unallocated assets					5,300.18
11	Total assets (9) + (10)					892,344.16
12	Segment liabilities	38,732.49	525,792.90	191,254.90	29,023.68	784,803.97
13	Unallocated liabilities					15,454.80
14	Total liabilities (12) + (13)					800,258.77
15	Capital Employed (9) - (12) (Segment Assets - Segment Liabilities)	224,623.91	(229,963.98)	80,893.93	26,686.15	102,240.01
16	Unallocated (10) - (13)					(10,154.62)
17	Total (15) + (16)					92,085.39
18	Capital expenditure	32.85	846.56	150.30	227.58	1,257.29
19	Depreciation	10.15	659.66	90.78	125.60	886.19
20	Provisions for non - performing assets/ others*	(7.64)	2,159.35	841.13	1,002.68	3,995.52
21	Unallocated other provisions*					(4.71)

* *Represents material non-cash charge other than depreciation and taxation*

Geographic segments:

(₹ crore)

Particulars	Domestic	International
Revenue	85,125.34	1,023.65
Assets	868,432.68	23,911.48
Capital expenditure	1,255.83	1.46

17 Related party disclosures

As per AS-18 Related Party Disclosure, the Group's related parties are disclosed below:

Promoter

Housing Development Finance Corporation Limited

Associate

International Asset Reconstruction Company Private Limited (ceased to be an associate with effect from March 9, 2018)

Key management personnel

Aditya Puri, Managing Director
Paresh Sukthankar, Deputy Managing Director
Kaizad Bharucha, Executive Director

Related parties to key management personnel

Salisbury Investments Private Limited, Tanaksh Innovations Private Limited, Akuri by Puri, Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay

Sukthankar, Ankita Sukthankar, Madhavi Lad, Havovi Bharucha, Huzaan Bharucha, Danesh Bharucha, Daraius Bharucha.

In accordance with paragraph 5 of AS - 18, the Bank has not disclosed certain transactions with relatives of key management personnel as they are in the nature of banker-customer relationship.

A specific related party transaction is a significant transaction wherever it exceeds 10% of all related party transactions in that category. Transactions between the Bank and Housing Development Finance Corporation Limited exceed 10% of all related party transactions in that category.

The Group's related party balances and transactions for the year ended March 31, 2018 are summarised as follows:

(₹ crore)

Items / Related party	Promoter	Associate	Key management personnel	Total
Deposits taken	3,250.77	-	14.10	3,264.87
	(3,250.77)	-	(37.45)	(3,288.22)
Deposits placed	0.47	-	2.51	2.98
	(0.47)	-	(2.51)	(2.98)
Advances given	-	-	3.16	3.16
	-	-	(3.45)	(3.45)
Fixed assets purchased from	-	-	-	-
Fixed assets sold to	-	-	-	-
Interest paid to	5.96	1.70	1.05	8.71
Interest received from	13.28	-	0.12	13.40
Income from services rendered to	264.27	-	-	264.27
Expenses for receiving services from	405.17	-	0.76	405.93
Equity investments	-	-	-	-
	-	-	-	-
Other investments	1,603.88	-	-	1,603.88
	(1,603.88)	-	-	(1,603.88)
Dividend paid to	432.53	-	5.67	438.20
Dividend received from	-	-	-	-
Receivable from	28.34	-	-	28.34
	(60.79)	-	-	(60.79)
Payable to	32.78	-	-	32.78
	(36.17)	-	-	(36.17)
Guarantees given	0.25	-	-	0.25
	(0.27)	-	-	(0.27)
Remuneration paid	-	-	19.29	19.29
Loans purchased from	5,623.94	-	-	5,623.94

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Remuneration paid excludes value of employee stock options exercised during the year.

The Bank being an authorised dealer, deals in foreign exchange and derivative transactions with parties which include its promoter. The foreign exchange and derivative transactions are undertaken in line with the RBI guidelines. The notional principal amount of foreign exchange and derivative contracts transacted with the promoter that were outstanding as at March 31, 2018 is ₹ 5,972.14 crore (previous year: ₹ 665.77 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is ₹ 80.76 crore (previous year: ₹ 40.18 crore).

During the year ended March 31, 2018, the Bank purchased debt securities from Housing Development Finance Corporation Limited ₹ 2,105.00 crore (previous year: ₹ 2,320.00 crore) issued by it.

During the year ended March 31, 2018, the Bank paid rent of ₹ 0.66 crore (previous year: ₹ 0.66 crore) to party related to the Bank's key management personnel in relation to residential accommodation. As at March 31, 2018, the security deposit outstanding was ₹ 3.50 crore (previous year: ₹ 3.50 crore).

The Group's related party balances and transactions for the year ended March 31, 2017 are summarised as follows:

(₹ crore)

Items / Related party	Promoter	Associate	Key management personnel	Total
Deposits taken	2,500.25	25.05	13.61	2,538.91
	(2,500.25)	(25.05)	(60.14)	(2,585.44)
Deposits placed	0.15	-	2.51	2.66
	(0.15)	-	(2.51)	(2.66)
Advances given	-	0.05	3.44	3.49
	-	(0.05)	(3.44)	(3.49)
Fixed assets purchased from	-	-	-	-
Fixed assets sold to	-	-	-	-
Interest paid to	5.57	0.51	1.02	7.10
Interest received from	-	-	0.03	0.03
Income from services rendered to	207.45	-	-	207.45
Expenses for receiving services from	343.10	-	0.76	343.86
Equity investments	-	31.17	-	31.17
	-	(31.17)	-	(31.17)
Other investments	-	-	-	-
	(126.48)	-	-	(126.48)
Dividend paid to	373.55	-	4.49	378.04
Dividend received from	-	-	-	-
Receivable from	23.16	-	-	23.16
	(23.16)	-	-	(23.16)
Payable to	33.67	-	-	33.67
	(33.67)	-	-	(33.67)
Guarantees given	0.12	-	-	0.12
	(0.14)	-	-	(0.14)
Remuneration paid	-	-	20.79	20.79
Loans purchased from	13,845.65	-	-	13,845.65

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Remuneration paid excludes value of employee stock options exercised during the year.

18 Leases

Operating leases primarily comprise office premises, staff residences and Automated Teller Machines (‘ATM’s), which are renewable at the option of the Bank. The details of maturity profile of future operating lease payments are given below:

(₹ crore)

Particulars	March 31, 2018	March 31, 2017
Not later than one year	1,016.13	995.56
Later than one year and not later than five years	3,303.45	3,185.49
Later than five years	3,626.31	3,154.93
Total	**7,945.89**	**7,335.98**
The total of minimum lease payments recognised in the Statement of Profit and Loss for the year	1,231.87	1,150.97
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	7.08	25.33
Sub-lease amounts recognised in the Statement of Profit and Loss for the year	8.06	11.31
Contingent (usage based) lease payments recognised in the Statement of Profit and Loss for the year	174.87	138.79

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

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

19 Penalties levied by the RBI

During the year ended March 31, 2018, RBI did not impose any penalty on the Bank (previous year ₹ 2.00 crore).

20 Small and micro industries

HDFC Bank Limited

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 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 during the years ended March 31, 2018 and March 31, 2017. The above is based on the information available with the Bank which has been relied upon by the auditors.

HDFC Securities Limited

On the basis of the information available with the Company and the intimation received from 'suppliers' regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 the amount unpaid as at March 31, 2018 was ₹ 0.03 crore (previous year: ₹ 0.02 crore).

HDB Financial Services Limited

As per the confirmation received from the suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006, the amount unpaid as at March 31, 2018 was Nil (previous year: Nil).

21 Corporate social responsibility

Operating expenses include ₹ 391.92 crore (previous year: ₹ 313.31 crore) for the year ended March 31, 2018 towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013.

The details of amount spent by the Group during the respective years towards CSR are as under:

(₹ crore)

Sr. No.	Particulars	March 31, 2018			March 31, 2017		
		Amount spent	Amount unpaid / provision	Total	Amount spent	Amount unpaid / provision	Total
(i)	Construction /acquisition of any asset	-	-	-	-	-	-
(ii)	On purpose other than (i) above	391.92	-	391.92	313.31	-	313.31

22 Additional disclosure

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiaries have no material bearing on the true and fair view of the Consolidated Financial Statements and the information pertaining to such items which are not material have not been disclosed in the Consolidated Financial Statements.

23 Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

For and on behalf of the Board

Shyamala Gopinath
Chairperson

Aditya Puri
Managing Director

Bobby Parikh
Keki Mistry
Malay Patel
Partho Datta
Umesh Sarangi
Directors

Paresh Sukthankar
Deputy Managing Director

Kaizad Bharucha
Executive Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Sashidhar Jagdishan
Chief Financial Officer

Mumbai, April 21, 2018

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HDFC BANK LIMITED

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of HDFC BANK LIMITED (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its associate, comprising the Consolidated Balance Sheet as at 31st March, 2017, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements") – [See paragraph 5 below]

2. Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group and its associate in accordance with provisions of Section 29 of the Banking Regulation Act, 1949, the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, and guidelines issued by the Reserve Bank of India as applicable to the respective entities. The respective Board of Directors of the companies included in the Group and the associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and the associate and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, and evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their report referred to in sub-paragraph (a) of paragraph 5 below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the matters referred to in paragraph 5 below, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associate as at 31st March, 2017, and the consolidated profit and consolidated cash flows for the year ended on that date.

5. Other Matters

(a) We did not audit the financial statements of a subsidiary whose financial statements reflect total assets of Rs.3,352,692 lacs as at 31st March, 2017, total revenues of Rs.572,450 lacs and net cash (outflows) amounting to Rs.2,032 lacs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, and our report in terms of subsection (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary is based solely on the report of the other auditors.

(b) The consolidated financial statements also include the Group's share of net profit of Rs.234 lacs for the year ended 31st March, 2017, as considered in the consolidated financial statements, in respect of an associate, whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate, is based solely on such unaudited financial statements as certified by the Management of that associate. In our opinion and according to the information and explanations given to us by the Holding Company's Management, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the management of the associate.

6. Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of the report of the other auditors on separate financial statements of a subsidiary referred to in paragraph 5 above we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the report of the other auditors.

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.

(e) On the basis of the written representations received from the directors of the Holding Company as at 31st March, 2017 taken on record by the Board of Directors of the Holding Company and the report of the statutory auditors of the subsidiary company not audited by us, none of the directors of the Group companies is disqualified as at 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Group's internal financial controls over financial reporting.

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

 (i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group;

 (ii) Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;

(iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No.117365W)

Porus B. Pardiwalla
Partner
(Membership No.40005)

Mumbai, 21st April, 2017

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph f under 'Report on Other Legal and Regulatory Requirements' section of the auditor's report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Holding Company for the year as of and for the year ended 31st March, 2017 we have audited the internal financial controls over financial reporting of the Group [See paragraphs 1 and 5 of our Report on the Consolidated Financial Statements].

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company and its subsidiary companies and its associate company, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the Guidelines issued by the Reserve Bank of India.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting, based on our audit. We conducted our audit in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

An audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors, in terms of their report referred to in paragraph 5 of our Report on the Consolidated Financial Statements, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Holding Company and its subsidiary companies, which are companies incorporated in India.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion to the best of our information and according to the explanations given to us and based on the matters referred to in paragraph 5 of our Report on the Consolidated Financial Statements, the Group has in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Our opinion is not modified in respect of the matters referred to in paragraph 5 of our Report on the Consolidated Financial Statements.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No.117365W)

Porus B. Pardiwalla
Partner
(Membership No. 40005)

Mumbai, 21st April, 2017

HDFC Bank Limited Group **₹ in '000**

Consolidated Balance Sheet as at March 31, 2017

	Schedule	As at 31-Mar-17	As at 31-Mar-16
CAPITAL AND LIABILITIES			
Capital	1	**5,125,091**	**5,056,373**
Reserves and surplus	2	**912,814,397**	**737,984,869**
Minority interest	2A	**2,914,389**	**1,806,228**
Deposits	3	**6,431,342,479**	**5,458,732,889**
Borrowings	4	**984,156,439**	**1,037,139,597**
Other liabilities and provisions	5	**587,088,812**	**381,403,308**
Total		**8,923,441,607**	**7,622,123,264**
ASSETS			
Cash and balances with Reserve Bank of India	6	**379,105,485**	**300,765,846**
Balances with banks and money at call and short notice	7	**114,005,711**	**89,922,969**
Investments	8	**2,107,771,120**	**1,936,338,475**
Advances	9	**5,854,809,871**	**4,872,904,174**
Fixed assets	10	**38,146,997**	**34,796,976**
Other assets	11	**429,602,423**	**387,394,824**
Total		**8,923,441,607**	**7,622,123,264**
Contingent liabilities	12	**8,182,842,892**	**8,535,273,826**
Bills for collection		**308,480,352**	**234,899,997**
Significant accounting policies and notes to the Consolidated financial statements	17 & 18		

The schedules referred to above form an integral part of the Consolidated Balance Sheet.

As per our report of even date.

For and on behalf of the Board

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005
Mumbai, April 21, 2017

HDFC Bank Limited Group **₹ in '000**

Consolidated Statement of Profit and Loss for the year ended March 31, 2017

	Schedule	Year ended 31-Mar-17	Year ended 31-Mar-16
I. INCOME			
Interest earned	13	**732,713,529**	**631,615,614**
Other income	14	**128,776,329**	**112,116,541**
Total		**861,489,858**	**743,732,155**
II. EXPENDITURE			
Interest expended	15	**380,415,844**	**340,695,748**
Operating expenses	16	**207,510,707**	**178,318,808**
Provisions and contingencies		**120,689,285**	**96,544,349**
Total		**708,615,836**	**615,558,905**
III. PROFIT			
Net profit for the year		**152,874,022**	**128,173,250**
Less : Minority interest		**367,165**	**197,212**
Add : Share in profits of associates		**23,393**	**37,278**
Consolidated profit for the year attributable to the Group		**152,530,250**	**128,013,316**
Impact on amalgamation [Refer Schedule 18(1)]		**274,507**	**-**
Balance in Profit and Loss account brought forward		**248,255,886**	**195,508,642**
Total		**401,060,643**	**323,521,958**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		**37,771,634**	**31,809,345**
Proposed dividend [Refer Schedule 18(3)]		**-**	**24,017,772**
Tax (including cess) on interim/proposed dividend		**255,959**	**5,123,529**
Dividend (including tax/cess thereon) pertaining to previous year paid during the year, net of dividend tax credits		**(16,909)**	**(117,135)**
Transfer to General Reserve		**14,549,641**	**12,296,213**
Transfer to Capital Reserve		**3,134,100**	**2,221,532**
Transfer to/(from) Investment Reserve Account		**42,934**	**(85,184)**
Balance carried over to Balance Sheet		**345,323,284**	**248,255,886**
Total		**401,060,643**	**323,521,958**
V. EARNINGS PER EQUITY SHARE (Face value ₹ 2 per share)		**₹**	**₹**
Basic		**59.95**	**50.85**
Diluted		**59.16**	**50.24**
Significant accounting policies and notes to the Consolidated financial statements	17 & 18		

The schedules referred to above form an integral part of the Consolidated Statement of Profit and Loss.

As per our report of even date. **For and on behalf of the Board**

For Deloitte Haskins & Sells

Chartered Accountants

P. B. Pardiwalla

Partner

Membership No.: 40005

Mumbai, April 21, 2017

HDFC Bank Limited Group
Consolidated Cash Flow Statement for the year ended March 31, 2017

₹ in '000

Particulars	Year Ended 31-Mar-17	Year Ended 31-Mar-16
Cash flows from operating activities		
Consolidated profit before income tax	233,311,478	194,949,948
Adjustment for:		
Depreciation on fixed assets	8,861,876	7,380,326
(Profit) / loss on revaluation of investments	(87,543)	173,689
Amortisation of premia on held to maturity investments	1,756,569	1,002,801
(Profit) / loss on sale of fixed assets	16,229	1,185
Provision / charge for non performing assets	37,024,296	25,179,864
Provision for dimunition in value of Investments	(76,417)	146,543
Floating provisions	250,000	1,150,000
Provision for standard assets	4,312,322	4,648,890
Contingency provisions	388,440	218,602
Share in current year's profits of associates	(23,393)	(37,278)
	285,733,857	**234,814,570**
Adjustments for :		
(Increase) / decrease in investments (excluding investments in subsidiaries)	(173,257,700)	(391,159,616)
(Increase) / decrease in advances	(1,018,904,990)	(1,066,012,996)
Increase / (decrease) in deposits	972,609,590	955,896,412
(Increase) / decrease in other assets	(44,855,329)	(38,485,747)
Increase / (decrease) in other liabilities and provisions	228,337,692	31,324,658
	249,663,120	**(273,622,719)**
Direct taxes paid (net of refunds)	**(76,847,189)**	**(70,730,944)**
Net cash flow (used in) / from operating activities	**172,815,931**	**(344,353,663)**
Cash flows used in investing activities		
Purchase of fixed assets	(11,577,570)	(8,771,635)
Proceeds from sale of fixed assets	100,768	116,125
Investment in subsidiaries and / or joint ventures	-	-
Net cash used in investing activities	**(11,476,802)**	**(8,655,510)**
Cash flows from financing activities		
Increase in minority interest	818,605	189,954
Money received on exercise of stock options by employees	22,615,161	12,229,008
Increase / (decrease) in borrowings (excluding subordinate debt, perpetual debt and upper tier II instruments)	(33,898,658)	402,081,134
Redemption of subordinated debt	(19,084,500)	(12,020,000)
Dividend paid during the year	(24,083,093)	(20,091,666)
Tax on dividend	(5,297,258)	(4,237,089)
Net cash generated from financing activities	**(58,929,743)**	**378,151,341**
Effect of exchange fluctuation on translation reserve	**(282,622)**	**282,433**
Cash and cash equivalents on amalgamation [Refer Schedule 18(1)]	295,617	-
Net increase / (decrease) in cash and cash equivalents	**102,422,381**	**25,424,601**
Cash and cash equivalents as at April 1st (Schedules 6 and 7)	**390,688,815**	**365,264,214**
Cash and cash equivalents as at March 31st (Schedules 6 and 7)	**493,111,196**	**390,688,815**

As per our report of even date.	**For and on behalf of the Board**

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005
Mumbai, April 21, 2017

₹ in '000

	As at 31-Mar-17	As at 31-Mar-16
SCHEDULE 1 - CAPITAL		
Authorised Capital		
3,25,00,00,000 (31 March, 2016 : 2,75,00,00,000) Equity Shares of ₹ 2/- each	6,500,000	5,500,000
Issued, subscribed and paid-up capital		
2,56,25,45,717 (31 March, 2016 : 2,52,81,86,517) Equity Shares of ₹ 2/- each	5,125,091	5,056,373
Total	5,125,091	5,056,373
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory reserve		
Opening balance	149,931,567	118,122,222
Additions during the year	37,771,634	31,809,345
Total	187,703,201	149,931,567
II. General reserve		
Opening balance	57,369,509	45,073,296
Additions during the year	14,549,641	12,296,213
Total	71,919,150	57,369,509
III. Balance in profit and loss account	345,323,284	248,255,886
IV. Share premium account		
Opening balance	262,204,646	250,019,020
Additions during the year	22,546,443	12,185,626
Total	284,751,089	262,204,646
V. Amalgamation reserve		
Opening balance	10,635,564	10,635,564
Additions during the year	-	-
Total	10,635,564	10,635,564
VI. Capital reserve		
Opening balance	8,866,583	6,645,051
Additions during the year	3,134,100	2,221,532
Total	12,000,683	8,866,583
VII. Investment reserve account		
Opening balance	399,084	484,268
Additions during the year	109,506	76
Deductions during the year	(66,572)	(85,260)
Total	442,018	399,084
VIII. Foreign currency translation account		
Opening balance	322,030	39,597
Additions / (deductions) during the year	(282,622)	282,433
Total	39,408	322,030
Total	912,814,397	737,984,869

	As at 31-Mar-17	As at 31-Mar-16
SCHEDULE 2 A - MINORITY INTEREST		
Minority interest at the date on which parent subsidiary relationship came into existence	**276,029**	**276,029**
Subsequent increase	**2,638,360**	**1,530,199**
Total	**2,914,389**	**1,806,228**

Includes reserves of Employee Welfare Trust of ₹ 70.83 crore (previous year ₹ 63.85 crore)

SCHEDULE 3 - DEPOSITS

	As at 31-Mar-17	As at 31-Mar-16
A. I. Demand deposits		
(i) From banks	**20,806,377**	**22,017,200**
(ii) From others	**1,132,892,089**	**860,725,166**
Total	**1,153,698,466**	**882,742,366**
II. Savings bank deposits	**1,935,786,271**	**1,478,861,198**
III. Term deposits		
(i) From banks	**53,520,609**	**25,095,540**
(ii) From others	**3,288,337,133**	**3,072,033,785**
Total	**3,341,857,742**	**3,097,129,325**
Total	**6,431,342,479**	**5,458,732,889**
B. I. Deposits of branches in India	**6,391,351,770**	**5,391,562,781**
II. Deposits of branches outside India	**39,990,709**	**67,170,108**
	6,431,342,479	**5,458,732,889**

SCHEDULE 4 - BORROWINGS

	As at 31-Mar-17	As at 31-Mar-16
I. Borrowings in India		
(i) Reserve Bank of India	**-**	**319,505,077**
(ii) Other banks	**97,371,546**	**98,174,819**
(iii) Other institutions and agencies	**249,710,383**	**91,767,811**
(iv) Upper and lower tier II capital and innovative perpetual debts	**149,020,000**	**157,579,000**
(v) Bonds and Debentures (excluding subordinated debt)	**252,038,000**	**59,750,000**
Total	**748,139,929**	**726,776,707**
II. Borrowings outside India*	**236,016,510**	**310,362,890**
Total	**984,156,439**	**1,037,139,597**

**Includes Upper Tier II debt of Nil crore (previous year : ₹ 662.55 crore)*

Secured borrowings included in I & II above: ₹ 20,606.90 crore (previous year: ₹ 15,781.77 crore)

HDFC Bank Limited Group ₹ in '000

	As at 31-Mar-17	As at 31-Mar-16
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	**166,670,863**	**73,784,974**
II. Interest accrued	**45,914,476**	**40,976,952**
III. Others (including provisions)	**349,467,514**	**216,913,280**
IV. Contingent provisions against standard assets	**25,035,959**	**20,735,354**
V. Proposed dividend *(including tax on dividend)* *[Refer Schedule 18(3)]*	**-**	**28,992,748**
Total	**587,088,812**	**381,403,308**
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand *(including foreign currency notes)*	**42,772,675**	**55,877,336**
II. Balances with Reserve Bank of India :		
(a) In current accounts	**284,332,810**	**242,888,510**
(b) In other accounts	**52,000,000**	**2,000,000**
Total	**336,332,810**	**244,888,510**
Total	**379,105,485**	**300,765,846**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with banks :		
(a) In current accounts	**5,531,745**	**2,596,227**
(b) In other deposit accounts	**9,716,581**	**7,926,585**
Total	**15,248,326**	**10,522,812**
(ii) Money at call and short notice :		
(a) With banks	-	-
(b) With other institutions	-	**1,359,867**
Total	-	**1,359,867**
Total	**15,248,326**	**11,882,679**
II. Outside India		
(i) In current accounts	**36,772,777**	**23,909,955**
(ii) In deposit accounts	**2,529,150**	**3,776,535**
(iii) Money at call and short notice	**59,455,458**	**50,353,800**
Total	**98,757,385**	**78,040,290**
Total	**114,005,711**	**89,922,969**

	As at 31-Mar-17	As at 31-Mar-16
SCHEDULE 8 - INVESTMENTS		
A. Investments in India in		
(i) Government securities	**1,624,186,994**	**1,576,610,655**
(ii) Other approved securities	**-**	**-**
(iii) Shares	**1,219,528**	**885,214**
(iv) Debentures and bonds	**187,956,872**	**48,882,174**
(v) Investment in Associates*	**402,955**	**614,020**
(vi) Others (Units, CDs/CPs, PTCs and security receipts)	**282,824,625**	**295,619,657**
Total	**2,096,590,974**	**1,922,611,720**
**Includes goodwill of ₹ 0.70 crore (previous year : ₹ 0.70 crore) and capital reserve of Nil on account of investment in associates (previous year : ₹ 0.43 crore)*		
B. Investments outside India in		
Other investments		
(a) Shares	**28,375**	**28,375**
(b) Debentures and bonds	**11,151,771**	**13,698,380**
Total	**11,180,146**	**13,726,755**
Total	**2,107,771,120**	**1,936,338,475**
C. Investments		
(i) Gross value of investments		
(a) In India	**2,097,219,426**	**1,923,817,098**
(b) Outside India	**11,206,487**	**13,726,755**
Total	**2,108,425,913**	**1,937,543,853**
(ii) Provision for depreciation		
(a) In India	**628,452**	**1,205,378**
(b) Outside India	**26,341**	**-**
Total	**654,793**	**1,205,378**
(iii) Net value of investments		
(a) In India	**2,096,590,974**	**1,922,611,720**
(b) Outside India	**11,180,146**	**13,726,755**
Total	**2,107,771,120**	**1,936,338,475**

HDFC Bank Limited Group ₹ in '000

	As at 31-Mar-17	As at 31-Mar-16
SCHEDULE 9 - ADVANCES		
A (i) Bills purchased and discounted	**287,159,641**	**185,136,903**
(ii) Cash credits, overdrafts and loans repayable on demand	**1,336,174,162**	**1,242,774,115**
(iii) Term loans	**4,231,476,068**	**3,444,993,156**
Total	**5,854,809,871**	**4,872,904,174**
B (i) Secured by tangible assets*	**4,351,900,473**	**3,648,290,355**
(ii) Covered by bank / government guarantees	**107,864,309**	**114,128,823**
(iii) Unsecured	**1,395,045,089**	**1,110,484,996**
Total	**5,854,809,871**	**4,872,904,174**
** Including advances against book debts*		
C. I. Advances in India		
(i) Priority sector	**1,646,022,483**	**1,427,201,985**
(ii) Public sector	**157,741,065**	**134,556,082**
(iii) Banks	**9,092,668**	**4,659,631**
(iv) Others	**3,843,921,442**	**2,985,578,949**
Total	**5,656,777,658**	**4,551,996,647**
C.II. Advances outside India		
(i) Due from banks	**6,500,391**	**6,879,777**
(ii) Due from others		
(a) Bills purchased and discounted	**2,560,707**	**1,245,263**
(b) Syndicated loans	**17,845,564**	**38,624,247**
(c) Others	**171,125,551**	**274,158,240**
Total	**198,032,213**	**320,907,527**
Total	**5,854,809,871**	**4,872,904,174**

(Advances are net of provisions)

HDFC Bank Limited Group ₹ in '000

	As at 31-Mar-17	As at 31-Mar-16
SCHEDULE 10 - FIXED ASSETS		
A. Premises *(including land)*		
Gross block		
At cost on 31 March of the preceding year	15,785,543	15,030,782
Additions during the year	669,452	839,927
Deductions during the year	(70,347)	(85,166)
Total	16,384,648	15,785,543
Depreciation		
As at 31 March of the preceding year	4,262,700	3,775,762
Charge for the year	595,216	555,657
On deductions during the year	(59,060)	(68,719)
Total	4,798,856	4,262,700
Net block	11,585,792	11,522,843
B. Other fixed assets *(including furniture and fixtures)*		
Gross block		
At cost on 31 March of the preceding year	74,900,241	67,150,536
Additions on amalgamation	377,694	-
Additions during the year	11,525,792	9,208,628
Deductions during the year	(2,229,417)	(1,458,923)
Total	84,574,310	74,900,241
Depreciation		
As at 31 March of the preceding year	51,626,108	46,156,112
Additions on amalgamation	245,859	-
Charge for the year	8,264,659	6,828,000
On deductions during the year	(2,123,521)	(1,358,004)
Total	58,013,105	51,626,108
Net block	26,561,205	23,274,133
C. Assets on lease *(plant and machinery)*		
Gross block		
At cost on 31 March of the preceding year	4,546,923	4,546,923
Additions during the year	-	-
Total	4,546,923	4,546,923
Depreciation		
As at 31 March of the preceding year	4,104,467	4,104,467
Charge for the year	-	-
Total	4,104,467	4,104,467
Lease adjustment account		
As at 31 March of the preceding year	442,456	442,456
Charge for the year	-	-
Total	442,456	442,456
Unamortised cost of assets on lease	-	-
Total	38,146,997	34,796,976

	As at 31-Mar-17	As at 31-Mar-16
SCHEDULE 11 - OTHER ASSETS		
I. Interest accrued	**83,177,119**	**75,547,122**
II. Advance tax/tax deducted at source (net of provisions)	**17,270,130**	**17,625,441**
III. Stationery and stamps	**267,871**	**220,786**
IV. Non banking assets acquired in satisfaction of claims	-	-
V. Bond and share application money pending allotment	-	-
VI. Security deposit for commercial and residential property	**5,095,162**	**4,791,869**
VII. Others*	**323,792,141**	**289,209,606**
Total	**429,602,423**	**387,394,824**

**Includes deferred tax asset (net) of ₹ 2,587.06 crore (previous year: ₹ 2,227.23 crore), goodwill of ₹ 185.00 crore (previous year : ₹ 187.16 crore) and deposits placed with NABARD/SIDBI/NHB on account of shortfall in lending to priority sector of ₹ 11,882.37 crore (previous year: ₹ 13,719.68 crore)*

SCHEDULE 12 - CONTINGENT LIABILITIES

	As at 31-Mar-17	As at 31-Mar-16
I. Claims against the bank not acknowledged as debts - taxation	**10,724,100**	**11,879,900**
II. Claims against the bank not acknowledged as debts - others	**2,010,238**	**777,310**
III. Liability on account of outstanding forward exchange contracts	**4,699,301,366**	**5,290,757,746**
IV. Liability on account of outstanding derivative contracts	**2,723,068,634**	**2,570,471,528**
V. Guarantees given on behalf of constituents - in India	**366,232,012**	**301,310,742**
- outside India	**953,405**	**31,094,714**
VI. Acceptances, endorsements and other obligations	**359,613,744**	**317,525,754**
VII. Other items for which the Bank is contingently liable	**20,939,393**	**11,456,132**
Total	**8,182,842,892**	**8,535,273,826**

HDFC Bank Limited Group ₹ in '000

	Year ended 31-Mar-17	Year ended 31-Mar-16
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances / bills	**559,861,841**	**477,361,879**
II. Income from investments	**159,515,563**	**141,254,962**
III. Interest on balance with RBI and other inter-bank funds	**5,448,567**	**3,751,556**
IV Others	**7,887,558**	**9,247,217**
Total	**732,713,529**	**631,615,614**
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	**94,767,987**	**83,067,577**
II. Profit / (loss) on sale of investments (net)	**11,447,093**	**7,525,247**
III. Profit / (loss) on revaluation of investments (net)	**87,543**	**(173,689)**
IV. Profit / (loss) on sale of building and other assets (net)	**(16,229)**	**(1,185)**
V. Profit/(loss) on exchange/derivative transactions (net)	**12,633,895**	**12,277,267**
VI. Miscellaneous income	**9,856,040**	**9,421,324**
Total	**128,776,329**	**112,116,541**
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	**312,955,921**	**291,509,468**
II. Interest on RBI / inter-bank borrowings	**65,834,950**	**33,664,532**
III. Other interest	**1,624,973**	**15,521,748**
Total	**380,415,844**	**340,695,748**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	**85,047,014**	**63,061,367**
II. Rent, taxes and lighting	**14,305,273**	**12,740,606**
III. Printing and stationery	**4,773,398**	**4,251,803**
IV. Advertisement and publicity	**2,095,018**	**2,584,338**
V. Depreciation on bank's property	**8,861,876**	**7,380,326**
VI. Directors' fees/ remuneration, allowances and expenses	**35,221**	**28,861**
VII. Auditors' fees and expenses	**25,758**	**19,331**
VIII. Law charges	**1,249,095**	**998,702**
IX. Postage, telegram, telephone etc.	**4,491,632**	**4,217,982**
X. Repairs and maintenance	**12,717,968**	**10,417,860**
XI. Insurance	**6,914,913**	**5,618,738**
XII. Other expenditure*	**66,993,541**	**66,998,894**
Total	**207,510,707**	**178,318,808**

**Includes professional fees, commission to sales agents, card and merchant acquiring expenses and system management fees.*

SCHEDULE 17 - Significant accounting policies appended to and forming part of the consolidated financial statements for the year ended March 31, 2017

A BACKGROUND

HDFC Bank Limited ('HDFC Bank' or 'the Bank'), incorporated in Mumbai, India is a publicly held banking company engaged in providing a range of banking and financial services including retail banking, wholesale banking and treasury operations. The Bank is governed by the Banking Regulation Act, 1949 and the Companies Act, 2013. The Bank has overseas branch operations in Bahrain, Hong Kong and Dubai. The financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by branches of the Bank.

HDB Financial Services Limited (HDBFSL) and HDFC Securities Limited (HSL) are subsidiaries of the Bank. HDBFSL is a non-deposit taking non-banking finance company. HSL is a financial services provider along with broking as a core product.

B PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries constituting the 'Group' and 'Group's' share of profits of associates.

The Bank consolidates its subsidiaries in accordance with Accounting Standard ('AS') 21, Consolidated Financial Statements, specified under section 133 of the Companies Act, 2013, on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. Capital reserve / Goodwill on consolidation represent the difference between the Bank's share in the net worth of the subsidiary and the cost of acquisition at the time of making the investment in the subsidiary. Further, the Bank accounts for investments in associates under equity method of accounting in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements, specified under section 133 of the Companies Act, 2013.

C BASIS OF PREPARATION

The consolidated financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') specified under section 133 of the Companies Act, 2013, in so far as they apply to banks and current practices prevailing within the banking industry in India.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

Basis of consolidation

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

Name	Relation	Country of incorporation	Ownership interest**
HDFC Securities Limited	Subsidiary	India	97.9%
HDB Financial Services Limited	Subsidiary	India	96.2%
International Asset Reconstruction Company Private Limited	Associate	India	29.4%
HDB Employee Welfare Trust	*	India	

* *The accounts of HDB Employee Welfare Trust, a trust established for providing general welfare measures such as medical relief and educational assistance to the employees of the Bank and their dependents has been entirely consolidated.*

** *Denotes HDFC Bank's direct interest.*

During the year ended March 31, 2017, Atlas Documentary Facilitators Company Private Limited and HBL Global Private Limited, associates of the Bank as at March 31, 2016, amalgamated with HDB Financial Services Limited, pursuant to the approval of the Honourable High courts of Gujarat and Bombay with effect from December 1, 2016.

The appointed date of the merger as per the scheme of amalgamation was April 1, 2014. Accordingly, the consolidated financial statements include the effect of the said amalgamation.

During the year ended March 31, 2017 the Bank's shareholding in HDB Financial Services Limited decreased from 97.1% to 96.2% on account of the said amalgamation and stock options exercised by minority stakeholders.

The audited financial statements of the subsidiary companies, entity controlled by the Bank and the un-audited financial statements of an associate have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2017.

D PRINCIPAL ACCOUNTING POLICIES

1 Investments

HDFC Bank Limited

Classification:

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ('HFT'), "Available for Sale" ('AFS') and "Held to Maturity" ('HTM') categories (hereinafter called "categories"). Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups (hereinafter called "groups") - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments.

Purchase and sale transactions in securities are recorded under 'Settlement Date' of accounting, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of classification:

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments in the equity of subsidiaries / joint ventures are categorised as HTM in accordance with the RBI guidelines. Investments which are not classified in either of the above categories are classified under AFS category.

Acquisition cost:

Brokerage, commission, etc. and broken period interest on debt instruments are recognised in the Statement of Profit and Loss and are not included in the cost of acquisition.

Disposal of investments:

Profit / Loss on sale of investments under the aforesaid three categories is recognised in the Statement of Profit and Loss. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve is appropriated from Statement of Profit and Loss to "Capital Reserve" in accordance with the RBI Guidelines.

Short sale:

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines. The short position is reflected as the amount received on sale and is classified under 'Other Liabilities'. The short position is marked to market and loss, if any, is charged to the Statement of Profit and Loss while gain, if any, is ignored. Profit / Loss on settlement of the short position is recognised in the Statement of Profit and Loss.

Valuation:

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

Traded investments are valued based on the trades / quotes on the recognised stock exchanges, price list of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA'), periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA.

The valuation of other unquoted fixed income securities (viz. State Government securities, other approved securities, bonds and debentures) and preference shares, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA.

Special bonds such as oil bonds, fertilizer bonds etc. which are directly issued by Government of India ('GOI') that do not qualify for SLR are also valued by applying the mark-up above the corresponding yield on GOI securities.

Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at ₹ 1 as per the RBI guidelines.

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

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost and stated at acquisition cost.

Security receipts are valued as per the net asset value provided by the issuing Asset Reconstruction Company from time to time.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the six groups, is charged to the Statement of Profit and Loss. The net appreciation, if any, in any of the six groups is not recognised except to the extent of depreciation already provided. The valuation of investments includes securities under repo transactions. The book value of individual securities is not changed after the valuation of investments.

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a constant yield to maturity basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in subsidiaries / joint ventures is provided for.

Non-performing investments are identified and depreciation / provision are made thereon based on the RBI guidelines. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Statement of Profit and Loss until received.

Repo and reverse repo transactions:

In accordance with the RBI guidelines, repurchase and reverse repurchase transactions in government securities and corporate debt securities are reflected as borrowing and lending transactions respectively.

Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.

HDFC Securities Limited

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

HDB Financial Services Limited

Investments expected to mature after twelve months are taken as long term/ non-current investment and stated at cost. Provision is recognised only in case of diminution, which is other than temporary in nature. Investments maturing within three months from the date of acquisition are classified as cash equivalents if they are readily convertible into cash. All other investment are recognised as short term/ current investments and are valued at lower of cost and net realizable value.

Interest on borrowings is recognised in statement of profit and loss on an accrual basis. Costs associated with borrowings are grouped under financial charges along with the interest costs.

HDB Employees Welfare Trust

Long-term investments are stated at cost of acquisition. Provision for diminution is made if such diminution is considered as being other than temporary in nature.

2 Advances

HDFC Bank Limited

Classification:

Advances are classified as performing and non-performing based on the RBI guidelines and are stated net of bills rediscounted, inter-bank participation with risk, specific provisions, interest in suspense for non-performing advances, claims received from Export Credit Guarantee Corporation, provisions for funded interest term loan classified as non-performing advances and provisions in lieu of diminution in the fair value of restructured assets. Interest on non-performing advances is transferred to an interest suspense account and not recognised in the Statement of Profit and Loss until received.

Provisioning:

Specific loan loss provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of wholesale and retail advances, subject to the minimum provisioning level prescribed by the RBI.

The specific provision levels for retail non-performing assets are also based on the nature of product and delinquency levels. Specific loan loss provisions in respect of non-performing advances are charged to the Statement of Profit and Loss and included under Provisions and Contingencies.

In accordance with RBI guidelines, accelerated provision is made on non-performing advances which were not earlier reported by the Bank as Special Mention Account under "SMA-2" category to Central Repository of Information on Large Credits (CRILC). Accelerated provision is also made on non-performing advances which are erstwhile SMA-2 accounts with Aggregate Exposure (AE) ₹ 1,000 million or above and Joint Lenders' Forum (JLF) is not formed or they fail to agree upon a common Corrective Action Plan (CAP) within the stipulated time frame.

Non-performing advances are written-off in accordance with the Bank's policies. Recoveries from bad debts written-off are recognised in the Statement of Profit and Loss and included under other income.

In relation to non-performing derivative contracts, as per the extant RBI guidelines, the Bank makes provision for the entire amount of overdue and future receivables relating to positive marked to market value of the said derivative contracts.

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts and gold in accordance with the guidelines and at levels stipulated by RBI from time to time. In the case of overseas branches, general provision on standard advances is maintained at the higher of the levels stipulated by the respective overseas regulator or RBI. Provision for standard assets is included under other liabilities.

Provisions made in excess of the Bank's policy for specific loan loss provisions for non-performing assets and regulatory general provisions are categorised as floating provisions. Creation of floating provisions is considered by the Bank up to a level approved by the Board of Directors. In accordance with the RBI guidelines, floating provisions are used up to a level approved by the Board only for contingencies under extraordinary circumstances and for making specific provisions for impaired accounts as per these guidelines or any regulatory guidance / instructions. Floating provisions are included under other liabilities.

Further to the provisions required to be held according to the asset classification status, provisions are held for individual country exposures (other than for home country exposure). Countries are categorised into risk categories as per Export Credit Guarantee Corporation of India Ltd. ('ECGC') guidelines and provisioning is done in respect of that country where the net funded exposure is one percent or more of the Bank's total assets. Provision for country risk is included under other liabilities.

In addition to the above, the Bank on a prudential basis makes provisions on advances or exposures which are not NPAs, but has reasons to believe on the basis of the extant environment or specific information or basis regulatory guidance / instructions, of a possible slippage of a specific advance or a group of advances or exposures or potential exposures. These are classified as contingent provisions and included under other liabilities.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines. Restructuring of an account is done at a borrower level.

HDB Financial Services Limited

Classification:

Advances are classified as standard, sub - standard and doubtful assets as per the Company policy approved by the Board. The rates applied for making provisions on non-performing advances are higher than those required by the relevant RBI guidelines. Interest on non-performing advances is transferred to an interest suspense account and not recognised in the Statement of profit and loss until received. Loan assets are recognised on disbursement of loan and in case of new asset financing on the transfer of ownership.

Provisioning:

The Company assesses all receivables for their recoverability and accordingly recognises provision for non performing and doubtful assets as per approved Company policies and guidelines. The Company ensures provisions made are not lower than as stipulated by RBI guidelines.

The Company provides 0.35% on standard assets as stipulated by Circular No. DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014 issued by RBI under the head "Contingent Provision against Standard Assets".

Loan origination costs:

Brokerage, commission, incentive to employee, etc. paid at the time of acquisition of loans are charged to revenue.

3 Securitisation and transfer of assets

HDFC Bank Limited

The Bank securitises out its receivables to Special Purpose Vehicles ('SPVs') in securitisation transactions. Such securitised-out receivables are de-recognised in the balance sheet when they are sold (true sale criteria being fully met with) and consideration is received by the Bank. Sales / Transfers that do not meet these criteria for surrender of control are accounted for as secured borrowings. In respect of receivable pools securitised-out, the Bank provides liquidity and credit enhancements, as specified by the rating agencies, in the form of cash collaterals / guarantees and / or by subordination of cash flows in line with RBI guidelines. The Bank also acts as a servicing agent for receivable pools securitised-out.

The Bank also enters into transactions for transfer of standard assets through the direct assignment of cash flows, which are similar to asset-backed securitisation transactions through the SPV route, except that such portfolios of receivables are assigned directly to the purchaser and are not represented by Pass Through Certificates ('PTCs').

The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines. The Bank amortises any profit received for every individual securitisation or direct assignment transaction based on the method prescribed in these guidelines.

In relation to securitisation transactions undertaken prior to the aforementioned RBI guidelines, including those undertaken through the direct assignment route, the Bank continues to amortise the profit / premium that arose on account of sale of receivables over the life of the securities sold, in accordance with the RBI guidelines on securitisation of standard assets issued vide its circular dated February 1, 2006.

Any loss arising on account of sale of receivables is recognised in the Statement of Profit and Loss for the period in which the sale occurs in accordance with the said RBI guidelines.

The Bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

The Bank enters into transactions for the sale or purchase of priority sector lending certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfillment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfillment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as 'Miscellaneous Income' and the fee paid for purchase of the PSLC is recorded as 'Other Expenditure' in statement of Profit and Loss.

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

The Bank invests in PTCs issued by other SPVs. These are accounted for at the deal value and are classified as investments. The Bank also buys loans through the direct assignment route which are classified as advances. These are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the tenor of the loans.

HDB Financial Services Limited

- Prior to Issuance of RBI Circular dated August 21, 2012

  (a) On receivables being assigned / securitised, the assets are de-recognised as all the rights, title, future receivables & interest thereof are assigned to the purchaser.

  (b) Gains arising on assignment of receivables will be recognised at the end of the tenure of assignment contract as per the RBI guidelines, while loss, if any is recognised upfront.

- Post Issuance of RBI Circular dated August 21, 2012

  (a) Securitized receivables are de-recognised in the balance sheet when they are sold i.e. they meet true sale criteria.

  (b) Gains arising out of securitisation of assets are recognised over the tenure of the securities issued by Special Purpose Vehicle Trust (SPV).

  (c) The excess interest spread on the securitisation transactions are recognised in the statement of Profit & Loss only when it is redeemed in cash by the SPV after adjusting for overdue receivable for more than 90 days. Losses if any, are recognised upfront.

4 Fixed assets and depreciation

HDFC Bank Limited

Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. The management believes that the useful life of assets assessed by the Bank, pursuant to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets are given below:

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act, 2013
Owned Premises	61 years	60 years
Automated Teller Machines ('ATMs')	10 years	15 years
Electrical equipment and installations	6 to 10 years	10 years
Office equipment	3 to 6 years	5 years
Computers	3 years	3 years
Modems, routers, switches, servers, network and related IT equipment	3 to 6 years	6 years
Motor cars	4 years	8 years
Furniture and fittings	16 years	10 years

- Improvements to lease hold premises are charged off over the remaining primary period of lease.

- Software and system development expenditure is depreciated over a period of 5 years.
- Point of sale terminals are fully depreciated in the year of purchase.
- For assets purchased and sold during the year, depreciation is provided on pro-rata basis by the Bank.
- Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.
- Profit on sale of immovable property net of taxes and transfer to statutory reserve, are transferred to capital reserve account.

HDFC Securities Limited

Tangible assets are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises purchase price and expenses directly attributable to bringing the asset to its working condition for the intended use. Subsequent expenditure related to an item of fixed asset are added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.

Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements.

Gains or losses arising from disposal or retirement of tangible fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised net, within “Other Income” or “Other Expenses”, as the case maybe, in the Statement of Profit and Loss in the year of disposal or retirement.

Capital work-in-progress are fixed assets which are not yet ready for their intended use. Such assets are carried at cost comprising direct cost and related incidental expenses.

Depreciation is provided on a pro-rata basis to fully depreciate the assets using the straight-line method over the estimated useful lives of the assets.

For the following categories of assets, depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013:

Asset	Estimated useful life
Computer hardware	3 years
Office equipment	5 years
Furniture and fixtures	10 years
Leasehold improvements	Over the remaining period of the lease
Electricals	10 years
Office premises	60 years

For the following categories of assets, the Company has assessed useful life based on technical advice, taking into account the nature of the asset, the estimates usage of asset, the operating condition of asset, anticipated technological changes and utility in the business, as below:

Asset	Estimated useful life
Vehicles	4 years
Network & servers	4 years

- All tangible and intangible assets costing less than ₹ 5,000 individually are fully depreciated in the year of purchase.
- Useful lives are reviewed at each financial year end and adjusted if appropriate.
- Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any.
- Cost of an intangible asset includes purchase price, non-refundable taxes and duties and any other directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset is charged to the Statement of Profit and Loss as an expense unless it is probable that such expenditure will enable the intangible asset increase the future benefits from the existing asset beyond its previously assessed standard of performance and such expenditure can be measured and attributed to the intangible asset reliably, in which case, such expenditure is capitalised.

- Expenditure on software development eligible for capitalisation are carried as intangible assets under development where such assets are not yet ready for their intended use.

- Intangible assets are amortised on a straight-line basis over their estimated useful lives. A rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use is considered by the management. The amortisation period and the amortisation method are reviewed at least at each reporting date. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

- Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss in the year of disposal.

The estimated useful lives of intangible assets used for amortisation are:

Asset	Estimated useful life
Computer software licenses	5 years
Electronic trading platform (Website)	5 years
Bombay Stock Exchange card	10 years

HDB Financial Services Limited

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. The cost of fixed assets comprise purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefit / functioning capability from / of such assets.

Depreciation is charged over the estimated useful life of the fixed assets on a straight line basis in the manner prescribed in Schedule II of the Companies Act, 2013, except for assets as under: -

Asset	Estimated useful life as assessed by the Company	Estimated useful life under Schedule II of Companies Act, 2013
Motor cars	5 years	8 years

- Improvements to lease hold premises are charged off over the primary period of lease or its useful life, whichever is lower.

- Items costing less than ₹ 5,000/- are fully depreciated in the year of purchase.

- The Company has estimated Nil residual value at the end of the useful life for all block of assets.

- For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Company.

Software and System development expenditure are capitalised at cost of acquisition including cost attributable to bring the same in working condition and the useful life of the same is estimated of 3 years with zero residual value. Any expenses on such software for support and maintenance payable annually are charged to the statement of profit and loss.

5 Impairment of assets

Group

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Statement of Profit and Loss to the extent the carrying amount of assets exceeds their estimated recoverable amount.

6 Transactions involving foreign exchange

HDFC Bank Limited

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of integral foreign operations (representative offices) are translated at the weekly average closing rates and of non-integral foreign operations (foreign branches) at the monthly average closing rates.

Foreign currency monetary items of domestic and integral foreign operations are translated at the closing exchange rates notified by Foreign Exchange Dealers' Association of India ('FEDAI') as at the Balance Sheet date and the resulting net valuation profit or loss arising due to a net open position in any foreign currency is recognised in the Statement of Profit and Loss.

Both monetary and non-monetary foreign currency assets and liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the Balance Sheet date and the resulting profit / loss arising from exchange differences are accumulated in the Foreign Currency Translation Account until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS - 11, The Effects of Changes in Foreign Exchange Rates.

Foreign exchange spot and forward contracts outstanding as at the Balance Sheet date and held for trading, are revalued at the closing spot and forward rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities. The USD-INR rate for valuation of contracts having longer maturities i.e. greater than one year is implied from MIFOR and LIBOR curves. For other currency pairs, the forward points (for rates / tenors not published by FEDAI) are obtained from Reuters for valuation of the FX deals. As directed by FEDAI to consider P&L on present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Statement of Profit and Loss. Foreign exchange contracts are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value).

Foreign exchange forward contracts not intended for trading, that are entered into to establish the amount of reporting currency required or available at the settlement date of a transaction and are outstanding at the Balance Sheet date, are effectively valued at the closing spot rate. The premia or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

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

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

7 Derivative contracts

HDFC Bank Limited

The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance Sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Statement of Profit and Loss.

Derivative contracts designated as hedges are not marked to market unless their underlying transaction is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Statement of Profit and Loss in the relevant period. The Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. Hedge effectiveness is ascertained at the time of the inception of the hedge and periodically thereafter. Gains or losses arising from hedge ineffectiveness, if any, are recognised in the Statement of Profit and Loss.

Contingent liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

8 Revenue recognition

HDFC Bank Limited

- Interest income is recognised in the Statement of Profit and Loss on an accrual basis, except in the case of non-performing assets and loan accounts where restructuring has been approved by the RBI under Strategic Debt Restructuring (SDR) scheme where it is recognised upon realisation as per RBI norms.

- Interest income on investments in PTCs and loans bought out through the direct assignment route is recognised at their effective interest rate.

- Income on non-coupon bearing discounted instruments is recognised over the tenor of the instrument on a constant effective yield basis.
- Loan processing fee is recognised as income when due. Syndication / Arranger fee is recognised as income when a significant act / milestone is completed.
- Gain / loss on sell down of loans is recognised in line with the extant RBI guidelines.
- Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.
- Guarantee commission, commission on letter of credit, annual locker rent fees and annual fees for credit cards are recognised on a straight-line basis over the period of contract. Other fees and commission income are recognised when due, where the Bank is reasonably certain of ultimate collection.

HDFC Securities Limited

- Income from services rendered as a brokerage is recognised upon rendering of the services.
- Commissions are recorded on a trade date basis as the securities transaction occurs.
- Fees for subscription based services are received periodically but are recognised as earned on a pro-rata basis over the term of the contract.
- Commissions from distribution of financial products are recognised upon allotment of the securities to the applicant or as the case may be, issue of the insurance policy to the applicant.
- Commissions and fees recognised as aforesaid are exclusive of service tax, securities transaction tax, stamp duties and other levies by SEBI and stock exchanges.
- Interest is earned on delayed payments from clients and amounts funded to them as well as term deposits with banks.
- Interest income is recognised on a time proportion basis taking into account the amount outstanding from customers or on the financial instrument and the rate applicable.
- Dividend income is recognised when the right to receive the dividend is established.

HDB Financial Services Limited

- Interest income is recognised in the statement of profit and loss on an accrual basis. In case of Non Performing Assets (NPA) interest income is recognised upon realisation as per the RBI Guidelines. Interest accrued and not realised before the classification of the asset as an NPA is reversed and credited to the interest suspense account.
- Income from BPO services and other financial charges are recognised on an accrual basis, except in case of cheque bouncing charges, late payment charges, foreclosure charges and application money, which are accounted as and when received.
- Upfront /processing fees are recovered and recognised at the time of disbursement of loan.
- Income from dividend is recognized in the statement of profit and loss when the right to receive is established.

HDB Employees Welfare Trust

- Income is recognised on accrual basis.

9 Employee benefits

HDFC Bank Limited

Employee Stock Option Scheme ('ESOS'):

The Employee Stock Option Scheme ('the Scheme') provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Bank follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price of the underlying stock over the exercise price as determined under the option plan. The market price is the closing price on the stock exchange where there is highest trading volume on the working day immediately preceding the date of grant. Compensation cost, if any is amortised over the vesting period.

Gratuity:

The Bank provides for gratuity to all employees. The benefit vests upon completion of five years of service and is in the form of lump sum payment to employees on resignation, retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. The Bank makes contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. In respect of erstwhile Lord Krishna Bank ('eLKB') employees, the Bank makes contribution to a fund set up by eLKB and administered by the Board of Trustees.

The defined gratuity benefit plans are valued by an independent actuary as at the Balance Sheet date using the projected unit credit method as per the requirement of AS-15, Employee Benefits, to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognised in the Statement of Profit and Loss.

Superannuation:

Employees of the Bank, above a prescribed grade, are entitled to receive retirement benefits under the Bank's Superannuation Fund. The Bank contributes a sum equivalent to 13% of the employee's eligible annual basic salary (15% for the whole time directors and for certain eligible erstwhile Centurion Bank of Punjab ('eCBoP') staff) to insurance companies, which administer the fund. The Bank has no liability for future superannuation fund benefits other than its contribution, and recognises such contributions as an expense in the year incurred, as such contribution is in the nature of defined contribution.

Provident fund:

In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund. The Bank contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary). Of this, the Bank contributes an amount equal to 8.33% of employee's basic salary up to a maximum salary level of ₹ 15,000/- per month, to the Pension Scheme administered by the Regional Provident Fund Commissioner ('RPFC'). The balance amount is contributed to a fund set up by the Bank and administered by a Board of Trustees. In respect of eCBoP employees, employer's and employee's share of contribution to Provident Fund till March 2009, was administered by RPFC and from April 2009 onwards, the same is transferred to the fund set up by the Bank and administered by the Board of Trustees. In respect of eLKB employees, the Bank contributes to a fund set up by eLKB and administered by a Board of Trustees. The Bank recognises such contributions as an expense in the year in which it is incurred. Interest payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the Bank.

The guidance note on implementing AS-15, Employee Benefits, states that benefits involving employer established provident funds, which require interest shortfalls to be provided, are to be considered as defined benefit plans. Actuarial valuation of this Provident Fund interest shortfall is done as per the guidance note issued in this respect by The Institute of Actuaries of India (IAI) and provision towards this liability is made.

The overseas branches of the Bank make contribution to the respective relevant government scheme calculated as a percentage of the employees' salaries. The Bank's obligations are limited to these contributions, which are expensed when due, as such contribution is in the nature of defined contribution.

Leave encashment / Compensated absences:

The Bank does not have a policy of encashing unavailed leave for its employees, except for certain eLKB employees under Indian Banks' Association ('IBA') structure. The Bank provides for leave encashment / compensated absences based on an independent actuarial valuation at the Balance Sheet date, which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation.

Pension:

In respect of pension payable to certain eLKB employees under IBA structure, which is a defined benefit scheme, the Bank contributes 10% of basic salary to a pension fund set up by the Bank and administered by the Board of

Trustees and the balance amount is provided based on actuarial valuation as at the Balance Sheet date conducted by an independent actuary.

In respect of certain eLKB employees who had moved to a Cost to Company ('CTC') driven compensation structure and had completed less than 15 years of service, the contribution which was made until then, is maintained as a fund and will be converted into annuity on separation after a lock-in-period of two years. For this category of employees, liability stands frozen and no additional provision is required except for interest as applicable to Provident Fund, which is provided for.

In respect of certain eLKB employees who moved to a CTC structure and had completed service of more than 15 years, pension would be paid on separation based on salary applicable as on the date of movement to CTC structure. Provision thereto is made based on actuarial valuation as at the Balance Sheet date conducted by an independent actuary.

HDFC Securities Limited

Short term

Short term employee benefits include salaries and performance incentives. A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Company has a present legal or informal obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. These costs are recognised as an expense in the Statement of Profit and Loss at the undiscounted amount expected to be paid over the period of services rendered by the employees to the Company.

Long term

The Company offers its employees long term benefits by way of defined-contribution and defined-benefit plans, of which some have assets in special funds or securities. The plans are financed by the Company and in the case of some defined contribution plans by the Company along with its employees.

Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the National Pension Scheme, Employees' Provident Fund, Family Pension Fund and Superannuation Fund. The Company's payments to the defined-contribution plans are reported as expenses during the period in which the employees perform the services that the payment covers.

Defined-benefit plans

Expenses for defined-benefit gratuity plan are calculated as at the Balance Sheet date by an independent actuary in a manner that distributes expenses over the employee's working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees. The fair values of the plan assets are deducted in determining the net liability. When the fair value of plan assets exceeds the commitments computed as aforesaid, the recognised asset is limited to the net total of any cumulative past service costs and the present value of any economic benefits available in the form of reductions in future contributions to the plan.

Actuarial losses or gains are recognised in the Statement of Profit and Loss in the year in which they arise.

Other employee benefits

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be availed in twelve months immediately following the year in which the employee has rendered service are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits.

Where there are restrictions on availment of such accrued benefit or where the availment is otherwise not expected to wholly occur in the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method.

Share-based payment transactions

Equity settled stock options granted under the Company's Employee Stock Option Schemes are accounted for as per the accounting treatment prescribed by the Guidance Note on Employee Share-based Payments issued by the

Institute of Chartered Accountants of India. The intrinsic value of the option being excess of fair value of the underlying share immediately prior to date of grant over its exercise price is recognised as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Statement of Profit and Loss on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion and credit to deferred employee compensation expense equal to the unamortised portion.

HDB Financial Services Limited

Long term employee benefits

Gratuity

The Company provides for gratuity to all employees. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, or death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company makes annual contributions to fund administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The defined benefit plan are valued by an independent external actuary as at the balance sheet date using the projected unit credit method to determine the present value of defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognised in the statement of profit and loss.

Provident fund

In accordance with the applicable law, all employees of the Company are entitled to receive benefits under the Provident Fund Act, 1952. The Company contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary) to the Pension Scheme administered by the Regional Provident Fund Commissioner (RPFC) and the Company has no liability for future provident fund benefits other than its annual contribution. Since it is a defined contribution plan, the contributions are accounted for on an accrual basis and recognised in the statement of profit and loss.

Compensated absences

The Company does not have a policy of encashment of unavailed leaves for its employees but are permitted to carry forward subject to a prescribed maximum days. The Company provides for compensated absences in accordance with AS 15 (revised 2005) Employee Benefits issued by Institute of Chartered Accountants of India. The provision is based on an independent external actuarial valuation at the balance sheet date.

10 Debit and credit cards reward points

HDFC Bank Limited

The Bank estimates the probable redemption of debit and credit card reward points and cost per point using an actuarial method by employing an independent actuary, which includes assumptions such as mortality, redemption and spends. Provisions for liabilities on the outstanding reward points are made based on the actuarial valuation report as furnished by the said independent actuary and included in other liabilities.

11 Bullion

HDFC Bank Limited

The Bank imports bullion including precious metal bars on a consignment basis for selling to its wholesale and retail customers. The imports are typically on a back-to-back basis and are priced to the customer based on an estimated price quoted by the supplier. The Bank earns a fee on such wholesale bullion transactions. The fee is classified under commission income.

The Bank also deals in bullion on a borrowing and lending basis and the interest paid / received thereon is classified as interest expense / income respectively.

12 Lease accounting

Group

Lease payments including cost escalation for assets taken on operating lease are recognised in the Statement of Profit and Loss over the lease term on a straight-line basis in accordance with the AS-19, Leases.

13 Income tax

Group

Income tax expense comprises current tax provision (i.e. the amount of tax for the period determined in accordance with the Income Tax Act, 1961, the rules framed there under and considering the material principles set out in Income Computation and Disclosure Standards) and the net change in the deferred tax asset or liability during the year. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences between the carrying values of assets and liabilities and their respective tax bases, and operating loss carried forward, if any. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates as at the Balance Sheet date.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each Balance Sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realised.

14 Earnings per share

Group

The Group reports basic and diluted earnings per equity share in accordance with AS-20, Earnings per Share. Basic earnings per equity share has been computed by dividing net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted to equity during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and the dilutive potential equity shares outstanding during the period except where the results are anti-dilutive.

15 Share issue expenses

HDFC Bank Limited

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

16 Segment information

Group

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

17 Accounting for provisions, contingent liabilities and contingent assets

Group

In accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets, the Group recognises provisions when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Provisions are determined based on management estimate required to settle the obligation at the Balance Sheet date, supplemented by experience of similar transactions. These are reviewed at each Balance Sheet date and adjusted to reflect the current management 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 the 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, if any, are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

Onerous contracts

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

18 Cash and cash equivalents

Group

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

19 Corporate social responsibility

Group

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013, are recognised in the Statement of Profit and Loss.

SCHEDULE 18 - Notes forming part of the consolidated financial statements for the year ended March 31, 2017

Amounts in notes forming part of the consolidated financial statements for the year ended March 31, 2017 are denominated in rupee crore to conform to extant RBI guidelines.

1 Amalgamation of Atlas Documentary Facilitators Company Private Limited and HBL Global Private Limited with HDB Financial Services Limited

During the year ended March 31, 2017, Atlas Documentary Facilitators Company Private Limited and HBL Global Private Limited, associates of the Bank as at March 31, 2016, amalgamated with HDB Financial Services Limited, pursuant to the approval of the Honourable High courts of Gujarat and Bombay with effect from December 1, 2016. The appointed date of the merger as per the scheme of amalgamation was April 1, 2014. Accordingly, the consolidated financial statements include the effect of the said amalgamation. In view of the amalgamation, the figures for the current year are not comparable with the corresponding figures of the previous year.

2 Change in classification

Pursuant to RBI circular dated May 19, 2016, the Bank has, included its repurchase / reverse repurchase transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) with RBI under 'Borrowings from RBI' / 'Balances with RBI', as the case may be. Hitherto, these transactions were netted from / included under ‘Investments’. Figures of the previous year have been regrouped / reclassified to conform to current year’s classification. The above change in classification has no impact on the profit of the Bank for the years ended March 31, 2017 and March 31, 2016.

3 Proposed Dividend

The Board of Directors of the Bank, at their meeting held on April 21, 2017, have proposed a dividend of ₹ 11.00 per equity share aggregating ₹ 3,392.71 crore, inclusive of tax on dividend. The proposal is subject to the approval of shareholders at the Annual General Meeting. In terms of revised Accounting Standard (AS) 4 ‘Contingencies and Events occurring after the Balance sheet date’ as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated proposed dividend from Statement of Profit and Loss for the year ended March 31, 2017. Accordingly, the proposed dividend and the tax thereon, under Appropriations in the Statement of Profit and Loss is lower by ₹ 2,818.80 crore and ₹ 573.91 crore respectively and the balance of Other Liabilities is lower by an equivalent amount as at March 31, 2017. However, the effect of the proposed dividend has been reckoned in determining consolidated capital funds in the computation of the capital adequacy ratio as at March 31, 2017.

4 Capital Infusion

During the year ended March 31, 2017, the Bank allotted 3,43,59,200 equity shares (previous year: 2,16,91,200 equity shares) aggregating to face value ₹ 6.87 crore (previous year: ₹ 4.34 crore) in respect of stock options exercised. Accordingly, share capital increased by ₹ 6.87 crore (previous year: ₹ 4.34 crore) and share premium increased by ₹ 2,254.64 crore (previous year: ₹ 1,218.56 crore).

Details of movement in the paid-up equity share capital of the Bank are given below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Opening balance	505.64	501.30
Addition pursuant to stock options exercised	6.87	4.34
Closing balance	512.51	505.64

5 Earnings per equity share

Basic and diluted earnings per equity share have been calculated based on the consolidated profit attributable to the Group of ₹ 15,253.03 crore (previous year: ₹ 12,801.33 crore) and the weighted average number of equity shares outstanding during the year of 2,54,43,33,609 (previous year: 2,51,74,29,120).

Following is the reconciliation between basic and diluted earnings per equity share:

Particulars	For the years ended	
	March 31, 2017	March 31, 2016
Nominal value per share (₹)	2.00	2.00
Basic earnings per share (₹)	59.95	50.85
Effect of potential equity shares (per share) (₹)	(0.79)	(0.61)
Diluted earnings per share (₹)	59.16	50.24

Basic earnings per equity share has been computed by dividing net profit for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share has been computed by dividing the net profit for the year attributable to the equity shareholders by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. The dilutive impact is on account of stock options granted to employees by the Bank. There is no impact of dilution on the profits in the current year and previous year.

Following is the reconciliation of weighted average number of equity shares used in the computation of basic and diluted earnings per share:

Particulars	For the years ended	
	March 31, 2017	March 31, 2016
Weighted average number of equity shares used in computing basic earnings per equity share	2,54,43,33,609	2,51,74,29,120
Effect of potential equity shares outstanding	3,40,55,428	3,04,43,320
Weighted average number of equity shares used in computing diluted earnings per equity share	2,57,83,89,037	2,54,78,72,440

6 Reserves and Surplus

Draw down from reserves

Share Premium

The Bank has not undertaken any drawdown from reserves during the years ended March 31, 2017 and March 31, 2016.

Statutory Reserve

The Group has made an appropriation of ₹ 3,777.16 crore (previous year: ₹ 3,180.93 crore) out of profits for the year ended March 31, 2017 to Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

Capital Reserve

During the year ended March 31, 2017, the Bank appropriated ₹ 313.41 crore (previous year: ₹ 222.15 crore), being the profit from sale of investments under HTM category and profit on sale of immovable properties, net of taxes and transfer to statutory reserve, from Profit and Loss Account to Capital Reserve Account.

General Reserve

The Group has made an appropriation of ₹ 1,454.96 crore (previous year: ₹ 1,229.62 crore) out of profits for the year ended March 31, 2017 to General Reserve.

Investment Reserve Account

During the year ended March 31, 2017, the Bank has appropriated ₹ 4.29 crore (net) from Profit and Loss Account to Investment Reserve Account as per RBI guidelines. In the previous year the Bank had transferred ₹ 8.52 crore (net) from Investment Reserve Account to Profit and Loss Account as per RBI guidelines.

7 Dividend on shares allotted pursuant to exercise of stock options

The Bank may allot equity shares after the Balance Sheet date but before the book closure date pursuant to the exercise of any employee stock options. These equity shares will be eligible for full dividend for the year ended March 31, 2017, if approved at the ensuing Annual General Meeting.

8 Accounting for employee share based payments

HDFC Bank Limited

The shareholders of the Bank approved grant of equity share options under Plan “C” in June 2005, Plan “D” in June 2007, Plan “E” in June 2010, Plan “F” in June 2013 and Plan “G” in July 2016. Under the terms of each of these Plans, the Bank may issue to its employees and Whole Time Directors, Equity Stock Options (‘ESOPs’) each of which is convertible into one equity share. All the plans were framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time and as applicable at the time of grant. Accounting for the stock options has been in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014 to the extent applicable.

Plans C, D, E, F and G provide for the issuance of options at the recommendation of the Nomination & Remuneration Committee at the closing price on the working day immediately preceding the date when options are granted. This closing price is the closing price of the Bank's equity share on an Indian stock exchange with the highest trading volume as of the working day preceding the date of grant.

Vesting conditions applicable to the options are at the discretion of the Nomination & Remuneration Committee. These options are exercisable on vesting, for a period as set forth by the Nomination & Remuneration Committee at the time of grant. The period in which options may be exercised cannot exceed five years. During the years ended March 31, 2017 and March 31, 2016, no modifications were made to the terms and conditions of ESOPs as approved by the Nomination & Remuneration Committee.

Activity in the options outstanding under the Employee Stock Option Plans

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2017:

Particulars	Number of Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	12,86,54,300	840.19
Granted during the year	-	-
Exercised during the year	3,43,59,200	658.20
Forfeited / Lapsed during the year	21,38,800	972.97
Options outstanding, end of year	9,21,56,300	904.97
Options exercisable	5,63,14,000	835.06

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2016:

Particulars	Number of Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	10,90,33,000	683.16
Granted during the year	4,48,36,200	1,092.65
Exercised during the year	2,16,91,200	563.78
Forfeited / Lapsed during the year	35,23,700	895.09
Options outstanding, end of year	12,86,54,300	840.19
Options exercisable	4,96,81,000	661.84

- Following table summarises the information about stock options outstanding as at March 31, 2017:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan C	680.00 to 835.50	46,44,400	2.34	690.91
Plan D	680.00	33,34,300	2.33	680.00
Plan E	468.4 to 680.00	1,50,94,600	2.18	650.01
Plan F	835.50 to 1,097.80	6,90,83,000	3.90	985.92

- Following table summarises the information about stock options outstanding as at March 31, 2016:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan C	680.00 to 835.50	57,40,800	3.34	693.00
Plan D	680.00	51,33,900	3.32	680.00
Plan E	440.16 to 680.00	3,78,50,200	2.49	598.71
Plan F	835.50 to 1,097.80	7,99,29,400	4.80	975.41

Fair value methodology

The fair value of options used to compute *proforma* net income and earnings per equity share have been estimated on the dates of each grant using the binomial option-pricing model. The Bank estimates the volatility based on the historical share prices. No stock options were granted during the year ended March 31, 2017 (previous year: 4,48,36,200). The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2016 were:

Particulars	March 31, 2016
Dividend yield	0.73%
Expected volatility	23.29% to 26.46%
Risk - free interest rate	7.71% to 8.07%
Expected life of the options	1 to 7 years

Impact of fair value method on net profit and Earnings Per Share ('EPS')

Had the compensation cost for the Bank's stock option plans been determined based on the fair value approach, the Bank's net profit and earnings per share would have been as per the *proforma* amounts indicated below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Net profit (as reported)	14,549.66	12,296.23
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock based compensation expense determined under fair value based method *(proforma)*	812.75	1,265.93
Net profit *(proforma)*	13,736.91	11,030.30
	(₹)	**(₹)**
Basic earnings per share (as reported)	57.18	48.84
Basic earnings per share *(proforma)*	53.99	43.82
Diluted earnings per share (as reported)	56.43	48.26
Diluted earnings per share *(proforma)*	53.28	43.29

HDFC Securities Limited

The Shareholders of the Company approved a stock option scheme (viz. ESOS- II) in February 2017 ("Company Options"). Under the terms of the scheme, the Company issues stock options to employees, whole time director, managing director and directors (excluding Independent Directors) of the Company, each of which is convertible into one equity share.

Scheme ESOS- II provides for the issuance of options at the recommendation of the Compensation Committee of the Board of Directors (the "Compensation Committee") at a price of ₹ 1,136/- per share, being the fair market value of the share arrived by considering the average price of the two independent valuation reports.

Such options vest at definitive dates, save for specific incidents, prescribed in the scheme as framed / approved by the Compensation Committee. Such options are exercisable for a period following the vesting at the discretion of the Compensation Committee.

Method used for accounting for shared based payment plan

The Company uses the Intrinsic Value method to account for the compensation cost of stock options to employees of the Company.

Activity in the options outstanding under the Employee Stock Options Plan

- Activity in the options outstanding under the Employees Stock Options Plan as at March 31, 2017:

Particulars	Company options	Weighted average exercise price (₹)
Options outstanding, beginning of year	-	-
Granted during the year	2,80,000	1,136
Exercised during the year	-	-
Forfeited / Lapsed during the year	-	-
Options outstanding, end of year	2,80,000	1,136
Options exercisable	-	-

- Following table summarises the information about stock options outstanding as at March 31, 2017:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Company Options	1,136	2,80,000	4.1 years	1,136

There were no stock options outstanding as at March 31, 2016.

Fair value methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on dates of each grant using the Black and Scholes model. The shares of the Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of the Company's stock price as an average of the historical volatility of similar listed enterprises for the purpose of calculating the fair value to reduce any company specific variations. The various assumptions considered in the pricing model for the stock options granted by the Company during the year ended March 31, 2017 are:

Particulars	March 31, 2017	March 31, 2016
Dividend yield	3.52%	-
Expected volatility	43.53% to 42.48%	-
Risk - free interest rate	6.60% to 6.90%	-
Expected life of the options	3 to 5 years	-

Impact of fair value method on net profit and EPS

Had the compensation cost for the Company's stock option plans been determined based on the fair value approach, the Company's net profit and earnings per share would have been as per the *proforma* amounts indicated below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Net Profit (as reported)	215.90	133.34
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method *(proforma)*	0.78	-
Net Profit *(proforma)*	215.12	133.34
	(₹)	(₹)
Basic earnings per share (as reported)	139.45	86.12
Basic earnings per share *(proforma)*	138.95	86.12
Diluted earnings per share (as reported)	139.45	86.12
Diluted earnings per share *(proforma)*	138.95	86.12

HDB Financial Services Limited

In accordance with resolution approved by the shareholders, the Company has reserved shares, for issue to employees through ESOP Scheme. On the approval of Nomination and Remuneration Committee (NRC), each ESOP scheme is issued. The NRC has approved stock option schemes ESOS-5 on July 27, 2011, ESOS-6 on June 11, 2012, ESOS-7 on July 19, 2013, ESOP-8 on July 14, 2015 and ESOS-9 on October 18, 2016. Under the term of the schemes, the Company may issue stock options to employees and directors of the Company, each of which is convertible into one equity share.

Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed/approved by the NRC. Such options are exercisable for a period following vesting at the discretion of the NRC, subject to a maximum of two years from the date of vesting for ESOP-5, ESOP-6, ESOP-7 and ESOP-8 and maximum of four years from the date of vesting for ESOP-9.

Method used for accounting for shared based payment plan

The Company uses intrinsic value to account for the compensation cost of stock options to employees of the Company.

Activity in the options outstanding under the Employee Stock Option Plans

- Activity in the options outstanding under the Employee Stock Option Plan as at March 31, 2017:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	48,42,950	88.41
Granted during the year	31,17,500	137.00
Exercised during the year	15,79,440	77.86
Forfeited / Lapsed during the year	5,02,350	93.46
Options outstanding, end of year	58,78,660	112.46

- Activity in the options outstanding under the Employee Stock Option Plan as at March 31, 2016:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	14,37,250	50.62
Granted during the year	44,13,000	88.00
Exercised during the year	7,02,550	48.25
Forfeited / Lapsed during the year	3,04,750	76.22
Options outstanding, end of year	48,42,950	88.41

- Following table summarises the information about stock options outstanding as at March 31, 2017:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
ESOS – 6	31.00	1,200	0.50	31.00
ESOS - 7	56.00	1,02,700	0.50	56.00
ESOS - 8	88.00	27,71,260	2.74	88.00
ESOS - 9	137.00	30,03,500	5.49	137.00

- Following table summarises the information about stock options outstanding as at March 31, 2016:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
ESOS - 5	25.00	4,000	0.50	25.00
ESOS – 6	31.00	70,650	1.30	31.00
ESOS – 7	56.00	5,60,300	1.35	56.00
ESOS – 8	88.00	42,08,000	1.40	88.00

Fair Value methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of the Company's stock price as zero, since historical volatility of similar listed enterprise was not available. The various assumptions considered in the pricing model for the stock options granted by the Company during the year ended 31 March 2017 are:

Particulars	March 31, 2017	March 31, 2016
Dividend yield	0.88%	0.80%
Expected volatility	Nil	Nil
Risk-free interest rate	6.54%	7.70%
Expected life of the option	3 years	2.21 years

Impact of fair value method on net profit and EPS

Had compensation cost for the Company's stock option plans been determined based on the fair value approach, the Company's net profit and earnings per share would have been as per the *proforma* amounts indicated below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Net Profit (as reported)	684.21	534.41
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method *(proforma)*	8.36	4.87
Net Profit *(proforma)*	675.85	529.54
	(₹)	(₹)
Basic earnings per share (as reported)	9.64	7.64
Basic earnings per share *(proforma)*	9.52	7.57
Diluted earnings per share (as reported)	9.64	7.64
Diluted earnings per share *(proforma)*	9.52	7.57

Group

Impact of fair value method on net profit and EPS of the Group

Had the compensation cost for the stock option plans outstanding been determined based on the fair value approach, the Group's net profit and earnings per share would have been as per the *proforma* amounts indicated below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Net Profit (as reported)	15,253.03	12,801.33
Less: Stock-based compensation expense determined under fair value based method *(proforma)*	821.89	1,270.80
Net Profit *(proforma)*	14,431.14	11,530.53
	(₹)	(₹)
Basic earnings per share (as reported)	59.95	50.85
Basic earnings per share *(proforma)*	56.72	45.80
Diluted earnings per share (as reported)	59.16	50.24
Diluted earnings per share *(proforma)*	55.97	45.26

9 Other liabilities

- The Bank has presented gross unrealised gain on foreign exchange and derivative contracts under other assets and gross unrealised loss on foreign exchange and derivative contracts under other liabilities. Accordingly, other liabilities as at March 31, 2017 include unrealised loss on foreign exchange and derivative contracts of ₹ 13,880.38 crore (previous year: ₹ 7,524.88 crore).

10 Investments

- Investments include securities of Face Value (FV) aggregating ₹ 1,520.00 crore (previous year: FV ₹ 1,520.00 crore) which are kept as margin for clearing of securities, of FV ₹ 24,488.31 crore (previous year: FV ₹ 13,729.30 crore) which are kept as margin for Collateralised Borrowing and Lending Obligation (CBLO) and of FV aggregating ₹ 100.00 crore (previous year: FV ₹ 56.00 crore) which are kept as margin for Forex Forward segment - Default Fund with the Clearing Corporation of India Limited (CCIL).

- Investments include securities of FV aggregating ₹ 16.00 crore (previous year: FV ₹ 16.00 crore) which are kept as margin with National Securities Clearing Corporation of India Limited. (NSCCIL), of FV aggregating ₹ 13.00 crore (previous year: FV ₹ 13.00 crore) which are kept as margin with Metropolitan Clearing Corporation of India Limited and of FV aggregating ₹ 5.00 crore (previous year: ₹ 1.00 crore) which are kept as margin with Indian Clearing Corporation Limited in the BSE currency derivatives segment.

- Investments having FV aggregating ₹ 42,730.27 crore (previous year: FV ₹ 35,937.22 crore) are kept as margin towards Real Time Gross Settlement (RTGS) and those having FV aggregating ₹ 41,473.92 crore (previous year: ₹ 13,091.46 crore) are kept as margin towards repo transactions with the RBI.

- Investments of FV aggregating ₹ 11.05 crore (previous year: FV ₹ 10.05 crore) are kept as margin for Forex Settlement Default Fund, of FV aggregating ₹ 75.40 crore (previous year: ₹ 85.40 crore) are kept as Cash Margin, of FV aggregating ₹ 65.00 crore (previous year: nil) are kept as margin for Securities Segment Default Fund, of FV aggregating ₹ 25.00 crore (previous year: nil) are kept as margin for CBLO Segment Default Fund and of FV aggregating ₹ 41.00 crore (previous year: ₹ 11.00 crore) are kept as margin for Rupee Derivatives Guaranteed Settlement Default Fund with CCIL.

11 Other fixed assets

Other fixed assets includes amount capitalised relating to software, Bombay Stock Exchange card and electronic trading platform. Summary regarding the same are tabulated below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Cost		
As at March 31 of the previous year	1,774.82	1,609.52
Additions during the year	413.26	165.31
Deductions during the year	-	(0.01)
Total (a)	**2,188.08**	**1,774.82**
Depreciation		

Particulars	March 31, 2017	March 31, 2016
As at March 31 of the previous year	1,248.71	1,049.45
Charge for the year	260.41	199.27
On deductions during the year	-	(0.01)
Total (b)	**1,509.12**	**1,248.71**
Net value (a-b)	**678.96**	**526.11**

12 Other assets

- Other assets include deferred tax asset (net) of ₹ 2,587.06 crore (previous year: ₹ 2,227.23 crore).The break-up of the same is as follows:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Deferred tax asset arising out of:		
Loan loss provisions	2,207.53	1,856.51
Employee benefits	175.39	150.77
Others	322.66	314.47
Total (a)	**2,705.58**	**2,321.75**
Deferred tax liability arising out of:		
Depreciation	(118.52)	(94.52)
Total (b)	**(118.52)**	**(94.52)**
Deferred tax asset (net) (a-b)	**2,587.06**	**2,227.23**

13 Provisions, contingent liabilities and contingent assets

Given below is the movement in provisions and a brief description of the nature of contingent liabilities recognised by the Bank.

(a) Provision for credit card and debit card reward points

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Opening provision for reward points	306.36	200.07
Provision for reward points made during the year	334.24	179.50
Utilisation / write back of provision for reward points	(209.36)	(73.21)
Closing provision for reward points	431.24	306.36

(b) Provision for legal and other contingencies

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Opening provision	344.56	354.91
Movement during the year (net)	(32.66)	(10.35)
Closing provision	311.90	344.56

(c) Provision pertaining to fraud accounts

Particulars	March 31, 2017
No. of frauds reported during the year	2,319
Amount involved in fraud (₹ crore)	165.20
Amount involved in fraud net of recoveries / write-offs as at the end of the year (₹ crore)	20.83
Provisions held as at the end of the year (₹ crore)	20.83
Amount of unamortised provision debited from "other reserves" as at the end of the year (₹ crore)	-

(d) Description of contingent liabilities

Sr. No.	Contingent liability*	Brief description
1	Claims against the Group not acknowledged as debts-taxation	The Group is a party to various taxation matters in respect of which appeals are pending. The Group expects the outcome of the appeals to be favorable based on decisions on similar issues in the previous years by

Sr. No.	Contingent liability*	Brief description
		the appellate authorities, based on the facts of the case and the provisions of Income Tax Act, 1961.
2	Claims against the Group not acknowledged as debts-others	The Group is a party to various legal proceedings in the normal course of business. The Group does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, results of operations or cash flows.
3	Liability on account of forward exchange and derivative contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants 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 one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts of financial instruments such as foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the Balance Sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms.
4	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the Bank's customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
5	Other items for which the Group is contingently liable	These include: a) Credit enhancements in respect of securitised-out loans; b) Bills rediscounted by the Bank; c) Capital commitments; d) Underwriting commitments; e) Investment purchases pending settlement; f) Amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF).

* *Also refer Schedule 12 - Contingent liabilities*

14 Commission, exchange and brokerage income

Commission, exchange and brokerage income is net of correspondent bank charges.

15 Provisions and contingencies

The break-up of provisions and contingencies included in the Statement of Profit and Loss is given below:

(₹ crore)

Particulars	March 31,2017	March 31,2016
Provision for income tax - Current	8,424.16	6,889.36
- Deferred	(346.04)	(195.70)
Provision for NPAs	3,503.37	2,344.37
Provision for diminution in value of non-performing investments	(7.64)	14.65
Provision for standard assets	431.23	464.89
Other provisions and contingencies*	63.85	136.86
Total	**12,068.93**	**9,654.43**

* *Includes provisions for tax, legal and other contingencies ₹ 38.72 crore (previous year: ₹ 37.33 crore), floating provisions ₹ 25.00 crore (previous year: ₹ 115.00 crore), provisions / (write back) for securitised-out assets ₹ 2.62 crore (previous year: ₹ (2.85) crore) and standard restructured assets ₹ (2.50) crore (previous year: ₹ (12.62) crore).*

16 Employee benefits

Gratuity

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	401.93	318.37
Addition due to amalgamation	33.48	-
Interest cost	29.11	22.98
Current service cost	74.76	56.53
Benefits paid	(45.47)	(24.88)
Actuarial (gain) / loss on obligation:		
Experience adjustment	39.69	16.27
Assumption change	15.00	12.66
Present value of obligation as at March 31	**548.50**	**401.93**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	295.46	248.13
Addition due to amalgamation	20.76	-
Expected return on plan assets	24.83	21.72
Contributions	60.10	64.10
Benefits paid	(45.47)	(24.88)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	31.19	(13.61)
Assumption change	3.36	-
Fair value of plan assets as at March 31	**390.23**	**295.46**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	390.23	295.46
Present value of obligation as at March 31	(548.50)	(401.93)
Asset / (liability) as at March 31	**(158.27)**	**(106.47)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	29.11	22.98
Current service cost	74.76	56.53
Expected return on plan assets	(24.83)	(21.72)
Net actuarial (gain) / loss recognised in the year	20.13	42.54
Net cost	**99.17**	**100.33**
Actual return on plan assets	59.38	8.11
Estimated contribution for the next year	94.73	53.08
Assumptions (HDFC Bank Limited)		
Discount rate	7.1% per annum	7.5% per annum
Expected return on plan assets	7.0% per annum	8.0% per annum
Salary escalation rate	8.0% per annum	8.0% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	6.8% per annum	7.6% per annum
Expected return on plan assets	7.6% per annum	7.6% per annum
Salary escalation rate	12.0% per annum	9.0% per annum
Assumptions (HDB Financial Services Limited)		
Discount rate	6.4% - 6.5% per annum	7.8% per annum
Expected return on plan assets	7.5% per annum	8.0% per annum
Salary escalation rate	5% - 7.5% per annum	6.0%per annum

Experience adjustment

(₹ crore)

Particulars	Years ended March 31,				
	2017	2016	2015	2014	2013
Plan assets	390.23	295.46	248.13	176.20	132.60
Defined benefit obligation	548.50	401.93	318.37	242.71	209.82
Surplus / (deficit)	(158.27)	(106.47)	(70.24)	(66.51)	(77.22)

Particulars	Years ended March 31,				
	2017	2016	2015	2014	2013
Experience adjustment gain / (loss) on plan assets	31.19	(13.61)	21.27	1.82	2.00
Experience adjustment (gain) / loss on plan liabilities	39.69	16.27	4.84	6.30	2.61

Expected rate of return on investments is determined based on the assessment made by the Group at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as at March 31, 2017 are given below:

Category of plan assets	HDFC Bank Limited	HDFC Securities Limited	HDB Financial Services Limited
Government securities	28.0%	38.0%	55.6%
Debenture and bonds	27.0%	44.0%	43.2%
Equity shares	40.8%	13.0%	-
Others	4.2%	5.0%	1.2%
Total	100.0%	100.0%	100.0%

Pension

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	70.88	57.45
Interest cost	4.80	3.92
Current service cost	1.23	1.12
Benefits paid	(6.62)	(10.18)
Actuarial (gain) / loss on obligation:		
Experience adjustment	4.65	17.35
Assumption change	(1.39)	1.22
Present value of obligation as at March 31	**73.55**	**70.88**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	38.38	41.91
Expected return on plan assets	2.61	3.21
Contributions	1.03	2.01
Benefits paid	(6.62)	(10.18)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	0.39	1.43
Assumption change	0.37	-
Fair value of plan assets as at March 31	**36.16**	**38.38**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	36.16	38.38
Present value of obligation as at March 31	(73.55)	(70.88)
Asset / (liability) as at March 31	**(37.39)**	**(32.50)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	4.80	3.92
Current service cost	1.23	1.12
Expected return on plan assets	(2.61)	(3.21)
Net actuarial (gain) / loss recognised in the year	2.50	17.14
Net cost	**5.92**	**18.97**
Actual return on plan assets	3.37	4.64
Estimated contribution for the next year	7.18	14.00
Assumptions		
Discount rate	7.1% per annum	7.5% per annum
Expected return on plan assets	7.0% per annum	8.0% per annum
Salary escalation rate	8.0% per annum	8.0% per annum

Experience adjustment

(₹ crore)

Particulars	Years ended March 31,				
	2017	2016	2015	2014	2013
Plan assets	36.16	38.38	41.91	47.99	48.88
Defined benefit obligation	73.55	70.88	57.45	58.89	58.19
Surplus / (deficit)	(37.39)	(32.50)	(15.54)	(10.90)	(9.31)
Experience adjustment gain / (loss) on plan assets	0.39	1.43	(2.38)	3.45	(1.58)
Experience adjustment (gain) / loss on plan liabilities	4.65	17.35	(0.19)	3.62	6.12

Expected rate of return on investments is determined based on the assessment made by the Bank at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as at March 31, 2017 are given below:

Category of plan assets	% of fair value to total plan assets as at March 31, 2017
Government securities	6.9%
Debenture and bonds	87.7%
Others	5.4%
Total	**100.0%**

Provident fund

The guidance note on AS-15, Employee Benefits, states that employer established provident funds, where interest is guaranteed are to be considered as defined benefit plans and the liability has to be valued. The Institute of Actuaries of India (IAI) has issued a guidance note on valuation of interest rate guarantees on exempt provident funds. The actuary has accordingly valued the same and the Bank held a provision of Nil as at March 31, 2017 (previous year: Nil), towards the present value of the guaranteed interest benefit obligation. The actuary has followed deterministic approach as prescribed by the guidance note.

Assumptions:

Particulars	March 31, 2017	March 31, 2016
Discount rate (GOI security yield)	7.1% per annum	7.5% per annum
Expected guaranteed interest rate	8.7% per annum	9.0% per annum

The Bank does not have any unfunded defined benefit plan. The Group contributed ₹ 292.00 crore (previous year: ₹ 206.99 crore) to the provident fund. The Bank contributed ₹ 78.67 crore (previous year: ₹ 56.54 crore) to the superannuation plan.

Compensated absences

The actuarial liability of compensated absences of accumulated privileged and sick leaves of the employees of the Group is given below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Privileged leave	254.28	227.40
Sick leave	56.12	47.88
Total actuarial liability	**310.40**	**275.28**
Assumptions (HDFC Bank Limited)		
Discount rate	7.1% per annum	7.5% per annum
Salary escalation rate	8.0% per annum	8.0% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	6.8% per annum	7.6% per annum
Salary escalation rate	12.0% per annum	9.0% per annum
Assumptions (HDB Financial Services Limited)		
Discount rate	6.4% - 6.5% per annum	7.8% per annum
Salary escalation rate	5% - 7.5% per annum	6.0% per annum

17 Segment reporting

Business segments

Business segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by RBI. The Group operates in the following segments:

(a) Treasury

The treasury segment primarily consists of net interest earnings from the Bank's investment portfolio, money market borrowing and lending, gains or losses on investment operations and on account of trading in foreign exchange and derivative contracts.

(b) Retail banking

The retail banking segment of the Bank serves retail customers through a branch network and other delivery channels. This segment raises deposits from customers and provides loans and other services to customers with the help of specialist product groups. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof.

Revenues of the retail banking segment are derived from interest earned on retail loans, interest earned from other segments for surplus funds placed with those segments, subvention received from dealers and manufacturers, fees from services rendered, foreign exchange earnings on retail products etc. Expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.

(c) Wholesale banking

The wholesale banking segment provides loans, non-fund facilities and transaction services to large corporates, emerging corporates, public sector units, government bodies, financial institutions and medium scale enterprises. Revenues of the wholesale banking segment consist of interest earned on loans made to customers, interest / fees earned on the cash float arising from transaction services, earnings from trade services and other non-fund facilities and also earnings from foreign exchange and derivative transactions on behalf of customers. 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 of delivery channels, specialist product groups, processing units and support groups.

(d) Other banking business

This segment includes income from para banking activities such as credit cards, debit cards, third party product distribution, primary dealership business and the associated costs. This segment also includes Bank's subsidiaries.

(e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes capital and reserves, debt classified as Tier I or Tier II capital and other unallocable assets and liabilities such as deferred tax, prepaid expenses, etc.

Segment revenue includes earnings from external customers plus earnings from funds transferred to other segments. Segment result includes revenue less interest expense less operating expense and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Interest income is charged by a segment that provides funding to another segment, based on yields benchmarked to an internally approved yield curve or at a certain agreed transfer price rate. Transaction charges are levied by the retail banking segment to the wholesale banking segment for the use by its customers of the retail banking segment's branch network or other delivery channels. Such transaction costs are determined on a cost plus basis. Segment capital employed represents the net assets in that segment.

Geographic segments

The geographic segments of the Bank are categorised as domestic operations and foreign operations. Domestic operations comprise branches in India and foreign operations comprise branches outside India.

Segment reporting for the year ended March 31, 2017 is given below:

Business segments:

(₹ crore)

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	21,581.79	66,147.50	31,332.24	13,593.23	1,32,654.76
2	Unallocated revenue					-
3	Less: Inter-segment revenue					46,505.77
4	Income from operations (1) + (2) - (3)					86,148.99
5	Segment results	1,308.38	8,432.16	10,473.77	4,591.77	24,806.08
6	Unallocated expenses					1,440.55
7	Income tax expense (including deferred tax)					8,078.12
8	Net profit (5) - (6) - (7) (net profit before minority interest and earnings from associates)					15,287.41
9	Segment assets	2,64,536.14	2,95,828.92	2,70,969.09	55,709.83	8,87,043.98
10	Unallocated assets					5,300.18
11	Total assets (9) + (10)					8,92,344.16
12	Segment liabilities	73,857.49	5,25,792.90	1,56,129.90	29,023.68	7,84,803.97
13	Unallocated liabilities					15,454.80
14	Total liabilities (12) + (13)					8,00,258.77
15	Capital employed (9) - (12) (Segment assets - Segment liabilities)	1,90,678.65	(2,29,963.98)	1,14,839.19	26,686.15	1,02,240.01
16	Unallocated (10) - (13)					(10,154.62)
17	Total (15) + (16)					92,085.39
18	Capital expenditure	32.85	846.56	150.30	227.58	1,257.29
19	Depreciation	10.15	659.66	90.78	125.60	886.19

Geographic segments:

(₹ crore)

Particulars	Domestic	International
Revenue	85,125.34	1,023.65
Assets	8,68,432.68	23,911.48
Capital expenditure	1,255.83	1.46

Segment reporting for the year ended March 31, 2016 is given below:

Business segments:

(₹ crore)

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	18,264.88	59,252.34	27,162.39	10,954.46	115,634.07
2	Unallocated revenue					0.01
3	Less: Inter-segment revenue					41,260.86
4	Income from operations (1) + (2) - (3)					74,373.22
5	Segment results	1,489.21	7,855.03	7,887.20	3,705.31	20,936.75
6	Unallocated expenses					1,425.76
7	Income tax expense (including deferred tax)					6,693.66
8	Net profit (5) - (6) - (7) (net profit before minority interest and earnings from associates)					12,817.33
9	Segment assets	235,331.98	252,690.65	226,242.65	43,049.31	757,314.59
10	Unallocated assets					4,897.74
11	Total assets (9) + (10)					762,212.33

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
12	Segment liabilities	77,340.38	448,313.40	120,425.52	22,085.58	668,164.88
13	Unallocated liabilities					19,562.70
14	Total liabilities (12) + (13)					687,727.58
15	Capital employed (9) - (12)	157,991.60	(195,622.75)	105,817.13	20,963.73	89,149.71
	(Segment assets - Segment liabilities)					
16	Unallocated (10) - (13)					(14,664.96)
17	Total (15) + (16)					74,484.75
18	Capital expenditure	5.09	729.46	134.59	135.72	1,004.86
19	Depreciation	6.16	540.47	101.67	89.73	738.03

Geographic segments:

(₹ crore)

Particulars	Domestic	International
Revenue	73,216.82	1,156.40
Assets	726,255.45	35,956.88
Capital expenditure	1,003.97	0.89

18 Related party disclosures

As per AS-18, Related Party Disclosure, the Group's related parties are disclosed below:

Promoter

Housing Development Finance Corporation Limited

Associates

International Asset Reconstruction Company Private Limited

Atlas Documentary Facilitators Company Private Limited*

HBL Global Private Limited*

**Atlas Documentary Facilitators Company Private Limited and HBL Global Private Limited amalgamated with HDB Financial Services Limited pursuant to the approval of the Honourable High courts of Gujarat and Bombay with effect from December 1, 2016. The appointed date of the merger as per the scheme of amalgamation was April 1, 2014. Accordingly transactions entered into by the Bank with these entities during the financial year ended March 31, 2017 have been classified under transactions with HDB Financial Services Limited.*

Key management personnel

Aditya Puri, Managing Director

Paresh Sukthankar, Deputy Managing Director

Kaizad Bharucha, Executive Director

Related parties to key management personnel

Salisbury Investments Private Limited, Tanaksh Innovations Private Limited, Akuri by Puri, Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad, Havovi Bharucha, Huzaan Bharucha, Danesh Bharucha, Daraius Bharucha.

In accordance with paragraph 5 of AS - 18, the Bank has not disclosed certain transactions with relatives of key management personnel as they are in the nature of banker-customer relationship.

The significant transactions between the Bank and related parties for the year ended March 31, 2017 are given below. A specific related party transaction is disclosed as a significant transaction wherever it exceeds 10% of all related party transactions in that category:

- Interest paid: Housing Development Finance Corporation Limited ₹ 5.57 crore (previous year: ₹ 7.25 crore).
- Rendering of services: Housing Development Finance Corporation Limited ₹ 207.45 crore (previous year: ₹ 178.83 crore).
- Receiving of services: Housing Development Finance Corporation Limited ₹ 343.10 crore (previous year: ₹ 247.21 crore).
- Dividend paid: Housing Development Finance Corporation Limited ₹ 373.55 crore (previous year: ₹ 314.57 crore).

The Group's related party balances and transactions for the year ended March 31, 2017 are summarised as follows:

(₹ crore)

Items / Related party	Promoter	Associate	Key management personnel	Total
Deposits taken	2,500.25	25.05	13.61	2,538.91
	(2,500.25)	(25.05)	(60.14)	(2,585.44)
Deposits placed	0.15	-	2.51	2.66
	(0.15)	-	(2.51)	(2.66)
Advances given	-	0.05	3.44	3.49
	-	(0.05)	(3.44)	(3.49)
Fixed assets purchased from	-	-	-	-
Fixed assets sold to	-	-	-	-
Interest paid to	5.57	0.51	1.02	7.10
Interest received from	-	-	0.03	0.03
Income from services rendered to	207.45	-	-	207.45
Expenses for receiving services from	343.10	-	0.76	343.86
Equity investments	-	31.17	-	31.17
	-	(31.17)	-	(31.17)
Other investments	-	-	-	-
	(126.48)	-	-	(126.48)
Dividend paid to	373.55	-	4.49	378.04
Dividend received from	-	-	-	-
Receivable from	23.16	-	-	23.16
	(23.16)	-	-	(23.16)
Payable to	33.67	-	-	33.67
	(33.67)	-	-	(33.67)
Guarantees given	0.12	-	-	0.12
	(0.14)	-	-	(0.14)
Remuneration paid	-	-	20.79	20.79
Loans purchased from	13,845.65	-	-	13,845.65

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Remuneration paid excludes value of employee stock options exercised during the year.

The Bank being an authorised dealer, deals in foreign exchange and derivative transactions with parties which include its promoter. The foreign exchange and derivative transactions are undertaken in line with the RBI guidelines. The notional principal amount of foreign exchange and derivative contracts transacted with the promoter that were outstanding as at March 31, 2017 is ₹ 665.77 crore (previous year: ₹ 491.21 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is ₹ 40.18 crore (previous year: ₹ 18.90 crore).

During the year ended March 31, 2017, the Bank purchased debt securities from Housing Development Finance Corporation Limited ₹ 2,320.00 crore (previous year: ₹ 1,415.00 crore) issued by it.

During the year ended March 31, 2017, the Bank paid rent of ₹ 0.66 crore (previous year: ₹ 0.66 crore) to parties related to the Bank's key management personnel in relation to residential accommodation. As at March 31, 2017, the security deposit outstanding was ₹ 3.50 crore (previous year: ₹ 3.50 crore).

The Group's related party balances and transactions for the year ended March 31, 2016 are summarised as follows:

(₹ crore)

Items / Related party	Promoter	Associates	Key management personnel	Total
Deposits taken	4,405.56	100.02	10.12	4,515.70
	(4,405.56)	(100.02)	(11.50)	(4,517.08)
Deposits placed	0.15	0.10	2.51	2.76
	(0.15)	(7.10)	(2.51)	(9.76)
Advances given	-	0.22	0.95	1.17
	-	(36.95)	(0.99)	(37.94)
Fixed assets purchased from	-	-	-	-
Fixed assets sold to	-	-	-	-
Interest paid to	7.25	3.89	0.84	11.98
Interest received from	-	2.27	0.02	2.29
Income from services rendered to	178.83	6.07	-	184.90
Expenses for receiving services from	247.21	1,173.64	0.76	1,421.61
Equity investments	-	31.19	-	31.19
	-	(31.19)	-	(31.19)
Dividend paid to	314.57	-	3.37	317.94
Dividend received from	-	0.01	-	0.01
Receivable from	16.30	-	-	16.30
	(28.42)	(0.38)	-	(28.80)
Payable to	26.93	39.85	-	66.78
	(26.93)	(102.70)	-	(129.63)
Guarantees given	0.14	-	-	0.14
	(0.14)	-	-	(0.14)
Remuneration paid	-	-	18.34	18.34
Loans purchased from	12,773.37	-	-	12,773.37

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Remuneration paid excludes value of employee stock options exercised during the year.

19 Leases

Operating leases primarily comprise office premises, staff residences and Automated Teller Machines ('ATM's), which are renewable at the option of the Bank. The details of maturity profile of future operating lease payments are given below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Not later than one year	995.56	925.82
Later than one year and not later than five years	3,185.49	2,947.21
Later than five years	3,154.93	2,564.32
Total	**7,335.98**	**6,437.35**
The total of minimum lease payments recognised in the Statement of Profit and Loss for the year	1,150.97	1,038.00
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	25.33	37.13
Sub-lease amounts recognised in the Statement of Profit and Loss for the year	11.31	10.67
Contingent (usage based) lease payments recognised in the Statement of Profit and Loss for the year	138.79	180.53

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

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

20 Penalties levied by the RBI

Further to the media reports in October 2015 about irregularities in advance import remittances in various banks, the Reserve Bank of India (RBI) had conducted a scrutiny of the transactions carried out by the bank under Section 35(1A) of the Banking Regulation Act, 1949. The RBI issued a Show Cause Notice to which the Bank had submitted its detailed response. After considering the Bank's submission, the RBI imposed a penalty of ₹ 2.00 crore on the Bank vide its letter dated July 19, 2016 on account of pendency in receipt of bill of entry relating to advance import remittances made and lapses in adhering to KYC/AML guidelines in this respect. The penalty has since been paid. The Bank has implemented a comprehensive corrective action plan, to strengthen its internal control mechanisms so as to ensure that such incidents do not recur. The above matter does not constitute a material weakness or significant deficiency in the framework of internal financial controls over financial reporting maintained by the Bank under Section 134(3)(q) of the Companies Act 2013.

During the year ended March 31, 2016, RBI had not imposed any penalties on the Bank.

21 Small and micro industries

HDFC Bank Limited

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 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.

HDFC Securities Limited

On the basis of the information available with the Company and the intimation received from 'suppliers' regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 the amount unpaid as at March 31, 2017 was ₹ 0.02 crore (previous year: ₹ 0.02 crore).

HDB Financial Services Limited

As per the confirmation received from the suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006, the amount unpaid as at March 31, 2017 was Nil (previous year: Nil).

22 Corporate social responsibility

Operating expenses include ₹ 313.31 crore (previous year: ₹ 197.10 crore) for the year ended March 31, 2017 towards Corporate Social Responsibility (CSR), in accordance with the Companies Act, 2013.

The details of amount spent during the respective year towards CSR are as under:

(₹ crore)

Sr. No.	Particulars	March 31, 2017			March 31, 2016		
		Amount spent	Amount unpaid / provision	Total	Amount spent	Amount unpaid / provision	Total
(i)	Construction / acquisition of any asset	-	-	-	-	-	-
(ii)	On purpose other than (i) above	313.31	-	313.31	188.75	8.35	197.10

23 Additional disclosure

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiaries have no material bearing on the true and fair view of the Consolidated Financial Statements and the information pertaining to the items which are not material have not been disclosed in the Consolidated Financial Statements.

24 Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

For and on behalf of the Board

faMumbai, April 21, 2017

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HDFC BANK LIMITED
Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **HDFC BANK LIMITED** (hereinafter referred to as "the Bank" or "the Holding Company") and its subsidiaries (the Bank and its subsidiaries together referred to as "the Group") and its associates, comprising the Consolidated Balance Sheet as at 31st March, 2016, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Bank's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, the Banking Regulation Act, 1949 and guidelines issued by the Reserve Bank of India as applicable to the respective entities. The respective Board of Directors of the companies included in the Group and its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities, the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associates as at 31st March, 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matters

(a) We did not audit the financial statements of 2 subsidiaries whose financial statements reflect total assets of Rs.2,611,598 lacs as at 31st March, 2016, total revenues of Rs.371,041 lacs and net cash outflows amounting to Rs.4,140 lacs for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of Rs.267 lacs for the year ended 31st March, 2016, as considered in the consolidated financial statements, in respect of two associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, is based solely on the reports of the other auditors.

(b) The consolidated financial statements also include the Group's share of net profit of Rs.104 lacs for the year ended 31st March, 2016, as considered in the consolidated financial statements, in respect of an associate, whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate, is based solely on such unaudited financial statements as certified by the Management of that associate. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the Management.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.

(e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2016 taken on record by the Board of Directors of the Bank and the reports of the statutory auditors of its subsidiary companies and associate companies incorporated in India, none of the directors of the Group companies and its associate companies incorporated in India is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our Report in "Annexure A", which is based on the auditors' reports of the Bank, subsidiary companies and associate companies incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank's/ subsidiary company's / associate company's incorporated in India internal financial controls over financial reporting.

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

(i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates.

(ii) Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.

(iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank and its subsidiary companies and associate companies.

For **Deloitte Haskins &Sells**
Chartered Accountants
(Firm's Registration No.117365W)

Porus B. Pardiwalla
Partner
(Membership No.40005)

Place: Mumbai

Date: 22nd April, 2016

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT
(Referred to in paragraph 1.f under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **HDFC BANK LIMITED** (hereinafter referred to as "the Holding Company"), its subsidiary companies, and its associate companies, which are companies incorporated in India, as of 31st March, 2016 in conjunction with our audit of the consolidated financial statements of the Holding Company for the year then ended.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company, its subsidiary companies and its associate companies, which are companies incorporated in India, are responsible for establishing and maintaining the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the Guidelines issued by the Reserve Bank of India.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Holding Company, its subsidiary companies, its associate companies which are companies incorporated in India based on our audit. We conducted our audit in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the other Auditors' Report on the Internal Financial Controls over Financial Reporting, furnished to us by management, in relation to two subsidiaries and two associates which are not audited by us, which are companies incorporated in India, and as referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the aforesaid entities.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion to the best of our information and according to the explanations given to us, and taking into consideration the reports of the other auditors referred to in the Other Matters paragraph below the Holding Company, its subsidiary companies and its associate companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2016, based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to two subsidiary companies and two associate companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

The financial statements and internal financial controls over financial reporting in relation to one associate company, which is a company incorporated in India, is unaudited. Our opinion on the internal financial controls over financial reporting of the aforesaid entities excludes consideration of the internal financial controls over financial reporting in respect of this associate. In our opinion and according to the information and explanations given to us by the Holding Company's management, the financial statements of the associate, and the related internal financial controls over financial reporting are not material to the consolidated financial statements, and the related internal financial control over financial reporting of the aforesaid entities.

Our opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and representation of the Board of Director and management.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No.117365W)

Porus B. Pardiwalla
Partner
(Membership No. 40005)

Place: Mumbai

Date: 22nd April, 2016

HDFC Bank Limited Group **₹ in '000**

Consolidated Balance Sheet as at March 31, 2016

	Schedule	As at 31-Mar-16	As at 31-Mar-15
CAPITAL AND LIABILITIES			
Capital	1	**5,056,373**	**5,012,991**
Reserves and surplus	2	**737,984,869**	**626,527,660**
Minority interest	2A	**1,806,228**	**1,616,274**
Deposits	3	**5,458,732,889**	**4,502,836,477**
Borrowings	4	**717,634,520**	**594,782,505**
Other liabilities and provisions	5	**381,403,308**	**340,189,270**
Total		**7,302,618,187**	**6,070,965,177**
ASSETS			
Cash and balances with Reserve Bank of India	6	**300,765,846**	**275,222,870**
Balances with banks and money at call and short notice	7	**89,922,969**	**90,041,344**
Investments	8	**1,616,833,398**	**1,494,544,156**
Advances	9	**4,872,904,174**	**3,834,079,720**
Fixed assets	10	**34,796,976**	**32,249,444**
Other assets	11	**387,394,824**	**344,827,643**
Total		**7,302,618,187**	**6,070,965,177**
Contingent liabilities	12	**8,535,273,826**	**9,752,785,962**
Bills for collection		**234,899,997**	**223,049,263**
Significant accounting policies and notes to the Consolidated financial statements	17 & 18		
The schedules referred to above form an integral part of the Consolidated Balance Sheet			

As per our report of even date.

For and on behalf of the Board

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005
Mumbai, April 22, 2016

HDFC Bank Limited Group **₹ in '000**

Consolidated Statement of Profit and Loss for the year ended March 31, 2016

	Schedule	Year ended 31-Mar-16	Year ended 31-Mar-15
I. INCOME			
Interest earned	13	**631,615,614**	**506,664,925**
Other income	14	**112,116,541**	**95,456,835**
Total		**743,732,155**	**602,121,760**
II. EXPENDITURE			
Interest expended	15	**340,695,748**	**272,884,553**
Operating expenses	16	**178,318,808**	**145,775,249**
Provisions and contingencies		**96,544,349**	**76,461,474**
Total		**615,558,905**	**495,121,276**
III. PROFIT			
Net profit for the year		**128,173,250**	**107,000,484**
Less : Minority interest		**197,212**	**144,068**
Add : Share in profits of associates		**37,278**	**32,494**
Consolidated profit for the year attributable to the Group		**128,013,316**	**106,888,910**
Balance in Profit and Loss account brought forward		**195,508,642**	**152,074,676**
Total		**323,521,958**	**258,963,586**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		**31,809,345**	**26,238,698**
Proposed dividend		**24,017,772**	**20,051,963**
Tax (including cess) on dividend		**5,123,529**	**4,245,374**
Dividend (including tax/cess thereon) pertaining to previous year paid during the year, net of dividend tax credits		**(117,135)**	**8,411**
Transfer to General Reserve		**12,296,213**	**10,385,919**
Transfer to Capital Reserve		**2,221,532**	**2,249,166**
Transfer to/(from) Investment Reserve Account		**(85,184)**	**275,413**
Balance carried over to Balance Sheet		**248,255,886**	**195,508,642**
Total		**323,521,958**	**258,963,586**
V. EARNINGS PER EQUITY SHARE (Face value ₹ 2 per share)		**₹**	**₹**
Basic		**50.85**	**44.10**
Diluted		**50.24**	**43.60**
Significant accounting policies and notes to the Consolidated financial statements	17 & 18		
The schedules referred to above form an integral part of the Consolidated Statement of Profit and Loss			

As per our report of even date.

For and on behalf of the Board

For Deloitte Haskins & Sells

Chartered Accountants

P. B. Pardiwalla

Partner

Membership No.: 40005

Mumbai, April 22, 2016

HDFC Bank Limited Group
Consolidated Cash Flow Statement for the year ended March 31, 2016

₹ in '000

Particulars	Year Ended 31-Mar-16	Year Ended 31-Mar-15
Cash flows from operating activities		
Consolidated profit before income tax	194,949,948	160,682,894
Adjustment for:		
Depreciation on fixed assets	7,380,326	6,804,512
(Profit) / loss on revaluation of investments	173,689	(556,306)
Amortisation of premia on held to maturity investments	1,002,801	805,534
(Profit) / loss on sale of fixed assets	1,185	(111,264)
Provision / charge for non performing assets	25,179,864	20,377,433
Provision for dimunition in value of Investments	146,543	(38,184)
Floating provisions	1,150,000	321,959
Provision for standard assets	4,648,890	3,103,466
Provision for wealth tax	-	7,676
Contingency provisions	218,602	590,405
Share in current year's profits of associates	(37,278)	(32,494)
	234,814,570	**191,955,631**
Adjustments for :		
(Increase) / decrease in investments (excluding investments in subsidiaries and joint ventures)	(123,574,997)	(450,203,993)
(Increase) / decrease in advances	(1,066,012,996)	(703,560,180)
Increase / (decrease) in deposits	955,896,412	832,033,154
(Increase) / decrease in other assets	(38,485,747)	66,328,224
Increase / (decrease) in other liabilities and provisions	31,324,658	(92,889,220)
	(6,038,100)	**(156,336,384)**
Direct taxes paid (net of refunds)	**(70,730,944)**	**(56,473,398)**
Net cash flow (used in) / from operating activities	**(76,769,044)**	**(212,809,782)**
Cash flows used in investing activities		
Purchase of fixed assets	(8,771,635)	(7,723,564)
Proceeds from sale of fixed assets	116,125	331,066
Investment in subsidiaries and / or joint ventures	-	(715,656)
Net cash used in investing activities	**(8,655,510)**	**(8,108,154)**
Cash flows from financing activities		
Increase in minority interest	189,954	491,482
Money received on exercise of stock options by employees	12,229,008	9,954,171
Increase / (decrease) in borrowings (excluding subordinate debt, perpetual debt and upper tier II instruments)	134,496,515	97,696,829
Proceeds from issue of shares under Qualified Institutions Placement and American Depository Receipt offering (net of issue expenses)	-	97,227,855
Proceeds from issue of upper and lower tier II capital instruments	-	5,000,000
Redemption of subordinated debt	(12,020,000)	(4,140,000)
Dividend paid during the year	(20,091,666)	(16,492,770)
Tax on dividend	(4,237,089)	(2,798,859)
Net cash generated from financing activities	**110,566,722**	**186,938,708**
Effect of exchange fluctuation on translation reserve	**282,433**	**109,160**
Net increase / (decrease) in cash and cash equivalents	**25,424,601**	**(33,870,068)**
Cash and cash equivalents as at April 1st (Schedules 6 and 7)	**365,264,214**	**399,134,282**
Cash and cash equivalents as at March 31st (Schedules 6 and 7)	**390,688,815**	**365,264,214**

As per our report of even date.

For and on behalf of the Board

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005
Mumbai, April 22, 2016

HDFC Bank Limited Group ₹ in '000

	As at 31-Mar-16	As at 31-Mar-15
SCHEDULE 1 - CAPITAL		
Authorised Capital		
2,75,00,00,000 (31 March, 2015 : 2,75,00,00,000) Equity Shares of ₹ 2/- each	**5,500,000**	**5,500,000**
Issued, subscribed and paid-up capital		
2,52,81,86,517 (31 March, 2015 : 2,50,64,95,317) Equity Shares of ₹ 2/- each	**5,056,373**	**5,012,991**
Total	**5,056,373**	**5,012,991**
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory reserve		
Opening balance	**118,122,222**	**91,883,524**
Additions during the year	**31,809,345**	**26,238,698**
Total	**149,931,567**	**118,122,222**
II. General reserve		
Opening balance	**45,073,296**	**34,687,377**
Additions during the year	**12,296,213**	**10,385,919**
Total	**57,369,509**	**45,073,296**
III. Balance in profit and loss account	**248,255,886**	**195,508,642**
IV. Share premium account		
Opening balance	**250,019,020**	**143,051,883**
Additions during the year	**12,185,626**	**108,477,413**
Deductions during the year [Refer Schedule 18 (4)]	**-**	**(1,510,276)**
Total	**262,204,646**	**250,019,020**
V. Amalgamation reserve		
Opening balance	**10,635,564**	**10,635,564**
Additions during the year	**-**	**-**
Total	**10,635,564**	**10,635,564**
VI. Capital reserve		
Opening balance	**6,645,051**	**4,395,885**
Additions during the year	**2,221,532**	**2,249,166**
Total	**8,866,583**	**6,645,051**
VII. Investment reserve account		
Opening balance	**484,268**	**208,855**
Additions during the year	**76**	**310,612**
Deductions during the year [Refer Schedule 18 (4)]	**(85,260)**	**(35,199)**
Total	**399,084**	**484,268**
VIII. Foreign currency translation account		
Opening balance	**39,597**	**(69,563)**
Additions during the year	**282,433**	**109,160**
Total	**322,030**	**39,597**
Total	**737,984,869**	**626,527,660**

	As at 31-Mar-16	As at 31-Mar-15
SCHEDULE 2 A - MINORITY INTEREST		
Minority interest at the date on which parent subsidiary relationship came into existence	**276,029**	**276,029**
Subsequent increase	**1,530,199**	**1,340,245**
Total	**1,806,228**	**1,616,274**

Includes reserves of Employee Welfare Trust of ₹ 63.85 crore (previous year ₹ 61.68 crore)

SCHEDULE 3 - DEPOSITS

	As at 31-Mar-16	As at 31-Mar-15
A. I. Demand deposits		
(i) From banks	**22,017,200**	**16,319,866**
(ii) From others	**860,725,166**	**717,067,581**
Total	**882,742,366**	**733,387,447**
II. Savings bank deposits	**1,478,861,198**	**1,249,266,040**
III. Term deposits		
(i) From banks	**25,095,540**	**18,405,279**
(ii) From others	**3,072,033,785**	**2,501,777,711**
Total	**3,097,129,325**	**2,520,182,990**
Total	**5,458,732,889**	**4,502,836,477**
B. I. Deposits of branches in India	**5,391,562,781**	**4,443,925,893**
II. Deposits of branches outside India	**67,170,108**	**58,910,584**
	5,458,732,889	**4,502,836,477**

SCHEDULE 4 - BORROWINGS

	As at 31-Mar-16	As at 31-Mar-15
I. Borrowings in India		
(i) Reserve Bank of India	-	-
(ii) Other banks	**98,174,819**	**86,817,617**
(iii) Other institutions and agencies	**151,517,811**	**87,380,892**
(iv) Upper and lower Tier II capital and innovative perpetual debts	**157,579,000**	**169,599,000**
Total	**407,271,630**	**343,797,509**
II. Borrowings outside India*	**310,362,890**	**250,984,996**
Total	**717,634,520**	**594,782,505**

**Includes Upper Tier II debt of ₹ 662.55 crore (previous year : ₹ 625.00 crore)*

Secured borrowings included in I & II above: ₹ 15,781.77 crore (previous year: ₹ 12,591.32 crore)

HDFC Bank Limited Group ₹ in '000

	As at 31-Mar-16	As at 31-Mar-15
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	**73,784,974**	**60,853,248**
II. Interest accrued	**40,976,952**	**33,697,037**
III. Others (including provisions)	**216,913,280**	**205,283,077**
IV. Contingent provisions against standard assets	**20,735,354**	**16,058,571**
V. Proposed dividend (including tax on dividend)	**28,992,748**	**24,297,337**
Total	**381,403,308**	**340,189,270**
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	**55,877,336**	**53,333,262**
II. Balances with Reserve Bank of India :		
(a) In current accounts	**242,888,510**	**219,889,608**
(b) In other accounts	**2,000,000**	**2,000,000**
Total	**244,888,510**	**221,889,608**
Total	**300,765,846**	**275,222,870**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with banks :		
(a) In current accounts	**2,596,227**	**2,466,929**
(b) In other deposit accounts	**7,926,585**	**22,807,540**
Total	**10,522,812**	**25,274,469**
(ii) Money at call and short notice :		
(a) With banks	**-**	**2,500,000**
(b) With other institutions	**1,359,867**	**2,238,499**
Total	**1,359,867**	**4,738,499**
Total	**11,882,679**	**30,012,968**
II. Outside India		
(i) In current accounts	**23,909,955**	**16,465,876**
(ii) In deposit accounts	**3,776,535**	**625,000**
(iii) Money at call and short notice	**50,353,800**	**42,937,500**
Total	**78,040,290**	**60,028,376**
Total	**89,922,969**	**90,041,344**

		As at 31-Mar-16	As at 31-Mar-15
SCHEDULE 8 - INVESTMENTS			
A. Investments in India in			
(i) Government securities		**1,257,105,578**	**1,203,902,956**
(ii) Other approved securities		**-**	**-**
(iii) Shares		**885,214**	**1,437,392**
(iv) Debentures and bonds		**48,882,174**	**11,263,150**
(v) Investment in Associates*		**614,020**	**576,872**
(vi) Others (Units, CDs/CPs, PTCs and security receipts)		**295,619,657**	**266,305,154**
	Total	**1,603,106,643**	**1,483,485,524**
**Includes goodwill of ₹ 0.70 crore (previous year : ₹ 0.70 crore) and capital reserve of ₹ 0.43 crore on account of investment in associates (previous year : ₹ 0.43 crore)*			
B. Investments outside India in			
Other investments			
(a) Shares		**28,375**	**9,396**
(b) Debentures and bonds		**13,698,380**	**11,049,236**
	Total	**13,726,755**	**11,058,632**
	Total	**1,616,833,398**	**1,494,544,156**
C. Investments			
(i) Gross value of investments			
(a) In India		**1,604,312,021**	**1,484,640,559**
(b) Outside India		**13,726,755**	**11,058,632**
	Total	**1,618,038,776**	**1,495,699,191**
(ii) Provision for depreciation			
(a) In India		**1,205,378**	**1,155,035**
(b) Outside India		**-**	**-**
	Total	**1,205,378**	**1,155,035**
(iii) Net value of investments			
(a) In India		**1,603,106,643**	**1,483,485,524**
(b) Outside India		**13,726,755**	**11,058,632**
	Total	**1,616,833,398**	**1,494,544,156**

HDFC Bank Limited Group ₹ in '000

	As at 31-Mar-16	As at 31-Mar-15
SCHEDULE 9 - ADVANCES		
A (i) Bills purchased and discounted	**185,136,903**	**177,134,003**
(ii) Cash credits, overdrafts and loans repayable on demand	**1,242,774,115**	**993,671,410**
(iii) Term loans	**3,444,993,156**	**2,663,274,307**
Total	**4,872,904,174**	**3,834,079,720**
B (i) Secured by tangible assets*	**3,648,290,355**	**2,894,274,719**
(ii) Covered by bank/Government guarantees	**114,128,823**	**63,453,979**
(iii) Unsecured	**1,110,484,996**	**876,351,022**
Total	**4,872,904,174**	**3,834,079,720**
** Including advances against book debts*		
C. I. Advances in India		
(i) Priority sector	**1,427,201,985**	**1,066,872,841**
(ii) Public sector	**134,556,082**	**118,066,442**
(iii) Banks	**4,659,631**	**51,278**
(iv) Others	**2,985,578,949**	**2,360,676,224**
Total	**4,551,996,647**	**3,545,666,785**
C.II. Advances outside India		
(i) Due from banks	**6,879,777**	**16,094,350**
(ii) Due from others		
(a) Bills purchased and discounted	**1,245,263**	**1,849,427**
(b) Syndicated loans	**38,624,247**	**14,652,002**
(c) Others	**274,158,240**	**255,817,156**
Total	**320,907,527**	**288,412,935**
Total	**4,872,904,174**	**3,834,079,720**

(Advances are net of provisions)

HDFC Bank Limited Group ₹ in '000

	As at 31-Mar-16	As at 31-Mar-15
SCHEDULE 10 - FIXED ASSETS		
A. Premises *(including land)*		
Gross block		
At cost on 31 March of the preceding year	**15,030,782**	**14,443,499**
Additions during the year	**839,927**	**793,539**
Deductions during the year	**(85,166)**	**(206,256)**
Total	**15,785,543**	**15,030,782**
Depreciation		
As at 31 March of the preceding year	**3,775,762**	**3,343,891**
Charge for the year	**555,657**	**524,195**
On deductions during the year	**(68,719)**	**(92,324)**
Total	**4,262,700**	**3,775,762**
Net block	**11,522,843**	**11,255,020**
B. Other fixed assets *(including furniture and fixtures)*		
Gross block		
At cost on 31 March of the preceding year	**67,150,536**	**59,825,186**
Additions during the year	**9,208,628**	**8,219,396**
Deductions during the year	**(1,458,923)**	**(894,046)**
Total	**74,900,241**	**67,150,536**
Depreciation		
As at 31 March of the preceding year	**46,156,112**	**40,662,007**
Charge for the year	**6,828,000**	**6,282,551**
On deductions during the year	**(1,358,004)**	**(788,446)**
Total	**51,626,108**	**46,156,112**
Net block	**23,274,133**	**20,994,424**
C. Assets on lease *(plant and machinery)*		
Gross block		
At cost on 31 March of the preceding year	**4,546,923**	**4,546,923**
Additions during the year	-	-
Total	**4,546,923**	**4,546,923**
Depreciation		
As at 31 March of the preceding year	**4,104,467**	**4,104,467**
Charge for the year	-	-
Total	**4,104,467**	**4,104,467**
Lease adjustment account		
As at 31 March of the preceding year	**442,456**	**442,456**
Charge for the year	-	-
Total	**442,456**	**442,456**
Unamortised cost of assets on lease	-	-
Total	**34,796,976**	**32,249,444**

	As at 31-Mar-16	As at 31-Mar-15
SCHEDULE 11 - OTHER ASSETS		
I. Interest accrued	**75,547,122**	**56,365,672**
II. Advance tax/tax deducted at source (net of provisions)	**17,625,441**	**15,138,242**
III. Stationery and stamps	**220,786**	**168,394**
IV. Non banking assets acquired in satisfaction of claims	-	-
V. Bond and share application money pending allotment	-	-
VI. Security deposit for commercial and residential property	**4,791,869**	**4,339,629**
VII. Others *	**289,209,606**	**268,815,706**
Total	**387,394,824**	**344,827,643**

**Includes deferred tax asset (net) of ₹ 2,227.23 crore (previous year: ₹ 2,031.98 crore), goodwill of ₹ 187.16 crore (previous year : ₹ 187.16 crore) and deposits placed with NABARD/SIDBI/NHB on account of shortfall in lending to priority sector of ₹ 13,719.68 crore (previous year: ₹ 14,818.19 crore)*

	As at 31-Mar-16	As at 31-Mar-15
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the bank not acknowledged as debts - taxation	**11,879,900**	**8,982,200**
II. Claims against the bank not acknowledged as debts - others	**777,310**	**719,342**
III. Liability on account of outstanding forward exchange contracts	**5,290,757,746**	**6,740,520,896**
IV. Liability on account of outstanding derivative contracts	**2,570,471,528**	**2,433,779,738**
V. Guarantees given on behalf of constituents - in India	**301,310,742**	**240,818,699**
- outside India	**31,094,714**	**32,080,401**
VI. Acceptances, endorsements and other obligations	**317,525,754**	**279,900,503**
VII. Other items for which the Bank is contingently liable	**11,456,132**	**15,984,183**
Total	**8,535,273,826**	**9,752,785,962**

HDFC Bank Limited Group ₹ in '000

	Year ended 31-Mar-16	Year ended 31-Mar-15
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances / bills	**477,361,879**	**393,346,623**
II. Income from investments	**141,254,962**	**98,627,289**
III. Interest on balance with RBI and other inter-bank funds	**3,751,556**	**5,429,360**
IV Others	**9,247,217**	**9,261,653**
Total	**631,615,614**	**506,664,925**
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	**83,067,577**	**71,243,564**
II. Profit / (loss) on sale of investments (net)	**7,525,247**	**5,320,048**
III. Profit / (loss) on revaluation of investments (net)	**(173,689)**	**556,306**
IV. Profit / (loss) on sale of building and other assets (net)	**(1,185)**	**111,264**
V. Profit/(loss) on exchange/derivative transactions (net)	**12,277,267**	**10,279,548**
VI. Miscellaneous income	**9,421,324**	**7,946,105**
Total	**112,116,541**	**95,456,835**
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	**291,509,468**	**235,047,802**
II. Interest on RBI / inter-bank borrowings	**33,664,532**	**24,785,390**
III. Other interest	**15,521,748**	**13,051,361**
Total	**340,695,748**	**272,884,553**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	**63,061,367**	**51,626,755**
II. Rent, taxes and lighting	**12,740,606**	**10,878,565**
III. Printing and stationery	**4,251,803**	**3,871,910**
IV. Advertisement and publicity	**2,584,338**	**1,903,378**
V. Depreciation on bank's property	**7,380,326**	**6,804,512**
VI. Directors' fees/ remuneration, allowances and expenses	**28,861**	**10,871**
VII. Auditors' fees and expenses	**19,331**	**14,508**
VIII. Law charges	**998,702**	**717,718**
IX. Postage, telegram, telephone etc.	**4,217,982**	**4,162,472**
X. Repairs and maintenance	**10,417,860**	**8,602,081**
XI. Insurance	**5,618,738**	**4,476,139**
XII. Other expenditure*	**66,998,894**	**52,706,340**
Total	**178,318,808**	**145,775,249**

**Includes professional fees, commission to sales agents, travel and hotel charges, card and merchant acquiring expenses and system management fees.*

Schedule 17 - Significant Accounting Policies appended to and forming part of the Consolidated Financial Statements for the year ended March 31, 2016

A. Background

HDFC Bank Limited ('HDFC Bank' or 'the Bank'), incorporated in Mumbai, India is a publicly held banking company engaged in providing a range of banking and financial services including retail banking, wholesale banking and treasury operations. The Bank is governed by the Banking Regulation Act, 1949 and the Companies Act, 2013. The Bank has overseas branch operations in Bahrain, Hong Kong and Dubai. The financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by branches of the Bank.

B. Principles of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries constituting the 'Group' and 'Group's' share of profits of associates.

The Bank consolidates its subsidiaries in accordance with Accounting Standard ('AS') 21, Consolidated Financial Statements, specified under section 133 of the Companies Act, 2013, on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. Capital reserve / Goodwill on consolidation represent the difference between the Bank's share in the net worth of the subsidiary and the cost of acquisition at the time of making the investment in the subsidiary. Further, the Bank accounts for investments in associates under equity method of accounting in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements, specified under section 133 of the Companies Act, 2013.

C. Basis of preparation

The consolidated financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') specified under section 133 of the Companies Act, 2013, in so far as they apply to banks and current practices prevailing within the banking industry in India.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

HDB Financial Services Limited is a non-banking financial company and a subsidiary of the Bank. HDFC Securities Limited is a financial services provider along with broking as core product and a subsidiary of the Bank.

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

Name	Relation	Country of Incorporation	Ownership Interest**
HDFC Securities Limited	Subsidiary	India	97.9%
HDB Financial Services Limited	Subsidiary	India	97.1%
Atlas Documentary Facilitators Company Private Limited	Associate	India	29.0%
International Asset Reconstruction Company Private Limited	Associate	India	29.4%
HBL Global Private Limited	Associate	India	Nil
HDB Employee Welfare Trust	*	India	

* *The accounts of HDB Employee Welfare Trust, a trust established for providing general welfare measures such as medical relief and educational assistance to the employees of the Bank and their dependents has been entirely consolidated.*

** *Denotes HDFC Bank's direct interest.*

During the year ended March 31, 2016 the shareholding in HDB Financial Services Limited decreased from 97.2% to 97.1% on account of 7,02,550 stock options exercised by Minority Stakeholders.

The audited financial statements of the subsidiary companies, entity controlled by the Bank, associates and the un-audited financial statements of an associate have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2016.

D. Principal accounting policies

1. Investments

HDFC Bank Limited

Classification:

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ('HFT'), "Available for Sale" ('AFS') and "Held to Maturity" ('HTM') categories (hereinafter called "categories"). Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups (hereinafter called "groups") - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments.

Purchase and sale transactions in securities are recorded under 'Settlement Date' of accounting, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of classification:

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments in the equity of subsidiaries / joint ventures are categorised as HTM in accordance with the RBI guidelines. Investments which are not classified in either of the above categories are classified under AFS category.

Acquisition cost:

Brokerage, commission, etc. and broken period interest on debt instruments are recognised in the Statement of Profit and Loss and are not included in the cost of acquisition.

Disposal of investments:

Profit / Loss on sale of investments under the aforesaid three categories is recognised in the Statement of Profit and Loss. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve is appropriated from Statement of Profit and Loss to "Capital Reserve" in accordance with the RBI Guidelines.

Short sale:

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines. The short position is reflected as the amount received on sale and is classified under 'Other Liabilities'. The short position is marked to market and loss, if any, is charged to the Statement of Profit and Loss while gain, if any, is ignored. Profit / Loss on settlement of the short position is recognised in the Statement of Profit and Loss.

Valuation:

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

Traded investments are valued based on the trades / quotes on the recognised stock exchanges, price list of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA'), periodically.

The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA.

The valuation of other unquoted fixed income securities (viz. State Government securities, other approved securities, bonds and debentures) and preference shares, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA.

Special bonds such as oil bonds, fertilizer bonds etc. which are directly issued by Government of India ('GOI') that do not qualify for SLR are also valued by applying the mark up above the corresponding yield on GOI securities.

Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at ₹ 1 as per the RBI guidelines.

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

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost and stated at acquisition cost.

Security receipts are valued as per the net asset value provided by the issuing Asset Reconstruction Company from time to time.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the six groups, is charged to the Statement of Profit and Loss. The net appreciation, if any, in any of the six groups is not recognised except to the extent of depreciation already provided. The valuation of investments includes securities under repo transactions. The book value of individual securities is not changed after the valuation of investments.

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a constant yield to maturity basis. Such amortisation of premium is adjusted against interest income under the head “Income from investments” as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in subsidiaries / joint ventures is provided for.

Non-performing investments are identified and depreciation / provision are made thereon based on the RBI guidelines. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Statement of Profit and Loss until received.

Repo and reverse repo transactions:

In accordance with the RBI guidelines repo and reverse repo transactions in government securities and corporate debt securities (excluding transactions conducted under Liquidity Adjustment Facility (‘LAF’) and Marginal Standby Facility (‘MSF’) with RBI) are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions are accounted for as interest income.

In respect of repo transactions under LAF and MSF with RBI, amount borrowed from RBI is credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of reverse repo transactions under LAF, amount lent to RBI is debited to investment account and reversed on maturity of the transaction. Revenues thereon are accounted for as interest income.

HDFC Securities Limited

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

HDB Financial Services Limited

Investments expected to mature after twelve months are taken as long term/non-current investment and stated at cost. Provision is recognised only in case of diminution, which is other than temporary in nature. Investments maturing within three months from the date of acquisition are classified as cash equivalents if they are readily convertible into cash. All other investment are recognised as short term/ current investments and are valued at lower of cost and net realizable value.

Interest on borrowings is recognised in statement of profit and loss on an accrual basis. Costs associated with borrowings are grouped under financial charges along with the interest costs.

HDB Employees Welfare Trust

Long-term investments are stated at cost of acquisition. Provision for diminution is made if such diminution is considered as being other than temporary in nature.

2. Advances

HDFC Bank Limited

Classification:

Advances are classified as performing and non-performing based on the RBI guidelines and are stated net of bills rediscounted, specific provisions, interest in suspense for non-performing advances, claims received from Export Credit Guarantee Corporation, provisions for funded interest term loan classified as non-performing advances and provisions in lieu of diminution in the fair value of restructured assets. Interest on non-performing advances is transferred to an interest suspense account and not recognised in the Statement of Profit and Loss until received.

Provisioning:

Specific loan loss provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of wholesale and retail advances, subject to the minimum provisioning level prescribed by the RBI.

The specific provision levels for retail non-performing assets are also based on the nature of product and delinquency levels. Specific loan loss provisions in respect of non-performing advances are charged to the Statement of Profit and Loss and included under Provisions and Contingencies.

In accordance with RBI guidelines, accelerated provision is made on non-performing advances which were not earlier reported by the Bank as Special Mention Account under "SMA-2" category to Central Repository of Information on Large Credits (CRILC). Accelerated provision is also made on non-performing advances which are erstwhile SMA-2 accounts with Aggregate Exposure (AE) ₹ 1,000 million or above and Joint Lenders' Forum (JLF) is not formed or they fail to agree upon a common Corrective Action Plan (CAP) within the stipulated time frame.

Accounts are written off in accordance with the Bank's policies. Recoveries from bad debts written-off are recognised in the Statement of Profit and Loss and included under other income.

In relation to non-performing derivative contracts, as per the extant RBI guidelines, the Bank makes provision for the entire amount of overdue and future receivables relating to positive marked to market value of the said derivative contracts.

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts and gold in accordance with the guidelines and at levels stipulated by RBI from time to time. In the case of overseas branches, general provision on standard advances is maintained at the higher of the levels stipulated by the respective overseas regulator or RBI. In accordance with RBI guidelines, provision is made against standard assets representing all exposures to the wholly owned step down subsidiaries of the overseas subsidiaries of Indian companies, sanctioned / renewed after December 31, 2015. Provision for standard assets is included under other liabilities.

Provisions made in excess of the Bank's policy for specific loan loss provisions for non-performing assets and regulatory general provisions are categorised as floating provisions. Creation of floating provisions is considered by the Bank up to a level approved by the Board of Directors. In accordance with the RBI guidelines, floating provisions are used up to a level approved by the Board only for contingencies under extraordinary circumstances and for making specific provisions for impaired accounts as per these guidelines or any regulatory guidance/instructions. Floating provisions have been included under other liabilities.

Further to the provisions required to be held according to the asset classification status, provisions are held for individual country exposures (other than for home country exposure). Countries are categorised into risk categories as per Export Credit Guarantee Corporation of India Ltd ('ECGC') guidelines and provisioning is done in respect of that country where the net funded exposure is one percent or more of the Bank's total assets.

In addition to the above, the Bank on a prudential basis makes provisions on advances or exposures which are not NPAs, but has reasons to believe on the basis of the extant environment or specific information or basis regulatory guidance/instructions, the possible slippage of a specific advance or a group of advances or exposures or potential exposures. These are classified as contingent provisions and included under other liabilities.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines. Restructuring of an account is done at a borrower level.

HDB Financial Services Limited

Classification

Advances are classified as standard, sub - standard and doubtful assets as per the Company policy approved by the Board. The rates applied for making provisions on non-performing advances are higher than those required by the relevant RBI guidelines. Interest on non-performing advances is transferred to an interest suspense account and not recognised in the Statement of profit and loss until received. Loan assets are recognised on disbursement of loan and in case of new asset financing on the transfer of ownership.

Provisioning

The Company assesses all receivables for their recoverability and accordingly recognises provision for non performing and doubtful assets as per approved Company policies and guidelines. The Company ensures provisions made are not lower than as stipulated by RBI guidelines.

The Company provides 0.30% on standard assets as stipulated by Circular No. DNBR (PD) CC.No.002/ 03.10.001 /2014-15 dated November 10, 2014 issued by RBI under the head "Contingent Provision against Standard Assets".

Loan origination costs.

Brokerage, commission, incentive to employee, etc. paid at the time of acquisition of loans are charged to revenue.

3. Securitisation and transfer of assets

HDFC Bank Limited

The Bank securitises out its receivables subject to the Minimum Holding Period ('MHP') criteria and the Minimum Retention Requirements ('MRR') of RBI, to Special Purpose Vehicles ('SPVs') in securitisation transactions. Such securitised-out receivables are de-recognised in the balance sheet when they are sold (true sale criteria being fully met with) and consideration is received by the Bank. Sales / Transfers that do not meet these criteria for surrender of control are accounted for as secured borrowings. In respect of receivable pools securitised-out, the Bank provides liquidity and credit enhancements, as specified by the rating agencies, in the form of cash collaterals / guarantees and / or by subordination of cash flows, not exceeding 20% of the total securitised instruments, in line with RBI guidelines. The Bank also acts as a servicing agent for receivable pools securitised-out.

The Bank also enters into transactions for transfer of standard assets through the direct assignment of cash flows, which are similar to asset-backed securitisation transactions through the SPV route, except that such portfolios of receivables are assigned directly to the purchaser and are not represented by Pass Through Certificates ('PTCs'), subject to the RBI prescribed MHP criteria and the MRR. The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines.

Pursuant to these guidelines, the Bank amortises any profit received in cash for every individual securitisation or direct assignment transaction. This amortisation is calculated as the maximum of either of the three parameters stated below:

- the losses incurred on the portfolio, including marked-to-market losses in case of securitisation transactions, specific provisions, if any, and direct write-offs made on the MRR and any other exposures to the securitisation transaction (other than credit enhancing interest only strip); or
- the amount of unamortised cash profit at the beginning of the year multiplied by the amount of principal amortised during the year as a proportion to the amount of unamortised principal at the beginning of the year; or
- the amount of unamortised cash profit at the beginning of the year divided by residual maturity of the securitisation or the direct assignment transaction.

In relation to securitisation transactions undertaken prior to the aforementioned RBI guidelines, including those undertaken through the direct assignment route, the Bank continues to amortise the profit / premium that arose on account of sale of receivables over the life of the securities sold, in accordance with the RBI guidelines on securitisation of standard assets issued vide its circular dated February 1, 2006.

Any loss arising on account of sale of receivables is recognised in the Statement of Profit and Loss for the period in which the sale occurs in accordance with the said RBI guidelines.

The Bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the Statement of Profit and Loss. If the sale is for a value higher than the net book value, the excess provision is not reversed but is utilised to meet the shortfall / loss on account of sale of other non-performing advances. The RBI issued new guidelines on sale of non-performing advances on February 26, 2014. In accordance with these guidelines, if the sale of non-performing advances is at a price below the net book value, the shortfall is charged to the Statement of Profit and Loss spread over a period of two years. If the sale is for a value higher than the net book value, the excess provision is credited to the Statement of Profit and Loss in the year the amounts are received.

The Bank invests in PTCs issued by other SPVs. These are accounted for at the deal value and are classified as investments. The Bank also buys loans through the direct assignment route which are classified as advances. These are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised based on Effective Interest Rate (EIR) method.

HDB Financial Services Limited

- Prior to Issuance of RBI Circular dated August 21, 2012

  (a) On receivables being assigned / securtised, the assets are de-recognised as all the rights, title, future receivables & interest thereof are assigned to the purchaser.

  (b) Gains arising on assignment of receivables will be recognised at the end of the tenure of assignment contract as per the RBI guidelines, while loss, if any is recognised upfront.

- Post Issuance of RBI Circular dated August 21, 2012

  (a) Securitized receivables are de-recognised in the balance sheet when they are sold i.e. they meet true sale criteria.

  (b) Gains arising out of securitisation of assets are recognised over the tenure of the securities issued by Special Purpose Vehicle Trust (SPV).

  (c) The excess interest spread on the securitisation transactions are recognised in the statement of Profit & Loss only when it is redeemed in cash by the SPV after adjusting for overdue receivable. Losses if any are recognised upfront.

4. Fixed assets and depreciation

HDFC Bank Limited

Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. The Bank, pursuant to the Companies Act 2013, has carried out a technical assessment of the useful life of its assets taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use. The estimated useful lives of key fixed assets are given below:

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act 2013
Owned Premises	61 years	60 years
Automated Teller Machines (‘ATMs’)	10 years	15 years
Electrical equipment and installations	6 to 10 years	10 years

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act 2013
Office equipment	3 to 6 years	5 years
Computers	3 years	3 years
Modems, routers, switches, servers, network and related IT equipment	3 to 6 years	6 years
Motor cars	4 years	8 years
Furniture and fittings	16 years	10 years

- Improvements to lease hold premises are charged off over the remaining primary period of lease.
- Software and system development expenditure is depreciated over a period of 5 years.
- Point of sale terminals are fully depreciated in the year of purchase.
- For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Bank.
- Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.
- Profit on sale of immovable property net of taxes and transfer to statutory reserve, are transferred to capital reserve account.

HDFC Securities Limited

Tangible assets are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises purchase price and expenses directly attributable to bringing the asset to its working condition for the intended use. Subsequent expenditure related to an item of fixed asset are added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.

Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements.

Gains or losses arising from disposal or retirement of tangible fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised net, within “Other Income” or “Other Expenses”, as the case maybe, in the Statement of Profit and Loss in the year of disposal or retirement.

Capital work-in-progress are fixed assets which are not yet ready for their intended use. Such assets are carried at cost comprising direct cost and related incidental expenses.

Depreciation is provided on a pro-rata basis to fully depreciate the assets using the straight-line method over the estimated useful lives of the assets.

For the following categories of assets, Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013

Asset	Estimated useful life
Computer Hardware	3 years
Office equipment	5 years
Furniture and fixtures	10 years
Leasehold Improvements	Over the remaining period of the lease
Electricals	10 years
Office premises	60 years

For the following categories of assets, the company has assessed useful life based on technical advice, taking into account the nature of the asset, the estimates usage of asset, the operating condition of asset, anticipated technological changes and utility in the business, as below:

Asset	Estimated useful life
Vehicles	4 years
Network & Servers	4 years

- All tangible and intangible assets costing less than ₹ 5,000 individually are fully depreciated in the year of purchase.

- Useful lives are reviewed at each financial year end and adjusted if appropriate.
- Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any.
- Cost of an intangible asset includes purchase price, non-refundable taxes and duties and any other directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset is charged to the Statement of Profit and Loss as an expense unless it is probable that such expenditure will enable the intangible asset increase the future benefits from the existing asset beyond its previously assessed standard of performance and such expenditure can be measured and attributed to the intangible asset reliably, in which case, such expenditure is capitalised.
- Expenditure on software development eligible for capitalisation are carried as Intangible assets under development where such assets are not yet ready for their intended use
- Intangible assets are amortised on a straight-line basis over their estimated useful lives. A rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use is considered by the management. The amortisation period and the amortisation method are reviewed at least at each reporting date. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.
- Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss in the year of disposal.

The estimated useful lives of intangible assets used for amortisation are:

Asset	Estimated useful life
Computer software licenses	5 years
Electronic trading platform (Website)	5 years
Bombay Stock Exchange card	10 years

HDB Financial Services Limited

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. The cost of fixed assets comprise purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefit / functioning capability from / of such assets.

Depreciation is charged over the estimated useful life of the fixed assets on a straight line basis in the manner prescribed in Schedule II of the Companies Act, 2013, except for assets as under:

Asset	Estimated useful life as assessed by the company	Estimated useful life under Schedule II of Companies act, 2013
Motor cars	5 years	8 years

- Improvements to lease hold premises are charged off over the primary period of lease or its useful life, whichever is lower.
- Items costing less than ₹ 5,000/- are fully depreciated in the year of purchase.
- The Company has estimated Nil residual value at the end of the useful life for all block of assets.
- For assets purchased and sold during the year, depreciation is being provided on pro rata basis by the Company.

Software and System development expenditure are capitalised at cost of acquisition including cost attributable to bring the same in working condition and the useful life of the same is estimated of 3 years with zero residual value. Any expenses on such software for support and maintenance payable annually are charged to the statement of profit and loss.

5. Impairment of assets

Group

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Statement of Profit and Loss to the extent the carrying amount of assets exceeds their estimated recoverable amount.

6. Transactions involving foreign exchange

HDFC Bank Limited

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of integral foreign operations (representative offices) are translated at the weekly average closing rates and of non-integral foreign operations (foreign branches) at the monthly average closing rates.

Foreign currency monetary items of domestic and integral foreign operations are translated at the closing exchange rates notified by Foreign Exchange Dealers' Association of India ('FEDAI') as at the balance sheet date and the resulting net valuation profit or loss arising due to a net open position in any foreign currency is recognised in the Statement of Profit and Loss.

Both monetary and non-monetary foreign currency assets and liabilities of non integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit / loss arising from exchange differences are accumulated in the Foreign Currency Translation Account until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS – 11, The Effects of Changes in Foreign Exchange Rates.

Foreign exchange spot and forward contracts outstanding as at the balance sheet date and held for trading, are revalued at the closing spot and forward rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities. The USD-INR rate for valuation of contracts having longer maturities i.e. greater than one year is implied from MIFOR and LIBOR curves. For other currency pairs, the forward points (for rates / tenors not published by FEDAI) are obtained from Reuters for valuation of the FX deals. As directed by FEDAI to consider P&L on present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Statement of Profit and Loss. Foreign exchange contracts are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value).

Foreign exchange forward contracts not intended for trading, that are entered into to establish the amount of reporting currency required or available at the settlement date of a transaction and are outstanding at the balance sheet date, are effectively valued at the closing spot rate. The premia or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

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

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

7. Derivative contracts

HDFC Bank Limited

The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Statement of Profit and Loss.

Derivative contracts designated as hedges are not marked to market unless their underlying transaction is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the

Statement of Profit and Loss in the relevant period. The Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. Hedge effectiveness is ascertained at the time of the inception of the hedge and periodically thereafter. Gains or losses arising from hedge ineffectiveness, if any, are recognised in the Statement of Profit and Loss.

Contingent liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

8. Revenue recognition

HDFC Bank Limited

- Interest income is recognised in the Statement of Profit and Loss on an accrual basis, except in the case of non-performing assets where it is recognised upon realisation as per RBI norms.
- Interest income on investments in PTCs and loans bought out through the direct assignment route is recognised at their effective interest rate.
- Income on non-coupon bearing discounted instruments is recognised over the tenor of the instrument on a constant effective yield basis.
- Loan processing fee is recognised as income when due. Syndication / arranger fee is recognised as income when a significant act / milestone is completed.
- Gain / loss on sell down of loans is recognised in line with the extant RBI guidelines.
- Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.
- Guarantee commission, commission on Letter of Credit, annual locker rent fees and annual fees for credit cards are recognised on a straight line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the Bank is uncertain of ultimate collection.

HDFC Securities Limited

- Income from services rendered as a brokerage is recognised upon rendering of the services.
- Commissions are recorded on a trade date basis as the securities transaction occurs.
- Fees for subscription based services are received periodically but are recognised as earned on a pro-rata basis over the term of the contract.
- Commissions from distribution of financial products are recognised upon allotment of the securities to the applicant or as the case may be, issue of the insurance policy to the applicant.
- Commissions and fees recognised as aforesaid are exclusive of service tax, securities transaction tax, stamp duties and other levies by SEBI and stock exchanges.
- Interest is earned on delayed payments from clients and amounts funded to them as well as term deposits with banks.
- Interest income is recognised on a time proportion basis taking into account the amount outstanding from customers or on the financial instrument and the rate applicable.
- Dividend income is recognised when the right to receive the dividend is established.

HDB Financial Services Limited

- Interest income is recognised in the Statement of Profit and Loss on an accrual basis. In case of Non Performing Assets (NPA) interest income is recognised upon realisation as per the RBI Guidelines. Interest accrued and not realised before the classification of the asset as an NPA is reversed and credited to the interest suspense account.

- Income from BPO services and other financial charges are recognised on an accrual basis, except in case of cheque bouncing charges, late payment charges, foreclosure charges and application money, which are accounted as and when received.

- Upfront/processing fees are recovered and recognised at the time of disbursement of loan.

- Income from dividend is recognised in the Statement of Profit and Loss when the right to receive is established.

HDB Employees Welfare Trust

- Income is recognised on accrual basis.

9. Employee benefits

HDFC Bank Limited

Employee Stock Option Scheme ('ESOS')

The Employee Stock Option Scheme ('the Scheme') provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Bank follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price of the underlying stock over the exercise price as determined under the option plan. The market price is the closing price on the stock exchange where there is highest trading volume on the working day immediately preceding the date of grant. Compensation cost, if any is amortised over the vesting period.

Gratuity

The Bank provides for gratuity to all employees. The benefit vests upon completion of five years of service and is in the form of lump sum payment to employees on resignation, retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. The Bank makes contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. In respect of erstwhile Lord Krishna Bank ('eLKB') employees, the Bank makes contribution to a fund set up by eLKB and administered by the board of trustees.

The defined gratuity benefit plans are valued by an independent actuary as at the balance sheet date using the projected unit credit method as per the requirement of AS-15, Employee Benefits, to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognised in the Statement of Profit and Loss.

Superannuation

Employees of the Bank, above a prescribed grade, are entitled to receive retirement benefits under the Bank's Superannuation Fund. The Bank contributes a sum equivalent to 13% of the employee's eligible annual basic salary (15% for the whole time directors and for certain eligible erstwhile Centurion Bank of Punjab ('eCBoP') staff) to insurance companies, which administer the fund. The Bank has no liability for future superannuation fund benefits other than its contribution, and recognises such contributions as an expense in the year incurred, as such contribution is in the nature of defined contribution.

Provident fund

In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund.

The Bank contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary). Of this, the Bank contributes an amount equal to 8.33% of employee's basic salary up to a maximum salary level of ₹ 15,000/- per month, to the Pension Scheme administered by the Regional Provident Fund Commissioner ('RPFC'). The balance amount is contributed to a fund set up by the Bank and administered by a board of trustees. In respect of eCBoP employees, employer's and employee's share of contribution to Provident Fund till March 2009, was administered by RPFC and from April 2009 onwards, the same is transferred to the fund set up by the Bank and administered by the board of trustees. In respect of eLKB employees, the Bank contributes to a fund set up by eLKB and administered by a board of trustees. The Bank recognises such contributions as an expense in the year in which it is incurred. Interest payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act 1952 and shortfall, if any, shall be made good by the Bank.

The guidance note on implementing AS-15, Employee Benefits, states that benefits involving employer established provident funds, which require interest shortfalls to be provided, are to be considered as defined benefit plans. Actuarial valuation of this Provident Fund interest shortfall is done as per the guidance note issued in this respect by the The Institute of Actuaries of India (IAI) and provision towards this liability is made.

The overseas branches of the Bank makes contribution to the respective relevant government scheme calculated as a percentage of the employees' salaries. The Bank's obligations are limited to these contributions, which are expensed when due, as such contribution is in the nature of defined contribution.

Leave encashment / Compensated absences

The Bank does not have a policy of encashing unavailed leave for its employees, except for certain eLKB employees under Indian Banks' Association ('IBA') structure. The Bank provides for leave encashment / compensated absences based on an independent actuarial valuation at the balance sheet date, which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation.

Pension

In respect of pension payable to certain eLKB employees under IBA structure, which is a defined benefit scheme, the Bank contributes 10% of basic salary to a pension fund set up by the Bank and administered by the board of trustees and the balance amount is provided based on actuarial valuation as at the balance sheet date conducted by an independent actuary.

In respect of certain eLKB employees who had moved to a Cost to Company ('CTC') driven compensation structure and had completed less than 15 years of service, the contribution which was made until then, is maintained as a fund and will be converted into annuity on separation after a lock-in-period of two years. For this category of employees, liability stands frozen and no additional provision is required except for interest as applicable to Provident Fund, which is provided for.

In respect of certain eLKB employees who moved to a CTC structure and had completed service of more than 15 years, pension would be paid on separation based on salary applicable as on the date of movement to CTC structure. Provision thereto is made based on actuarial valuation as at the balance sheet date conducted by an independent actuary.

HDFC Securities Limited

Short term

Short term employee benefits include salaries and performance incentives. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or informal obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. These costs are recognised as an expense in the Statement of Profit and Loss at the undiscounted amount expected to be paid over the period of services rendered by the employees to the Company.

Long term

The Company offers its employees long term benefits by way of defined-contribution and defined-benefit plans, of which some have assets in special funds or securities. The plans are financed by the Company and in the case of some defined contribution plans by the Company along with its employees.

Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the National pension scheme, employees' provident fund, family pension fund and superannuation fund. The Company's payments to the defined-contribution plans are reported as expenses during the period in which the employees perform the services that the payment covers.

Defined-benefit plans

Expenses for defined-benefit gratuity plan are calculated as at the balance sheet date by an independent actuary in a manner that distributes expenses over the employee's working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees. The fair values of the plan assets are deducted in determining the net liability. When the fair value of plan assets exceeds the commitments computed as aforesaid, the recognised asset is limited to the net total of any cumulative past service costs and the present value of any economic benefits available in the form of reductions in future contributions to the plan. Actuarial losses or gains are recognised in the Statement of Profit and Loss in the year in which they arise.

Other employee benefits

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be availed in twelve months immediately following the year in which the employee has rendered service are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits.

Where there are restrictions on availment of such accrued benefit or where the availment is otherwise not expected to wholly occur in the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method.

Share-based payment transactions

Equity settled stock options granted under the Company's Employee Stock Option Schemes are accounted for as per the accounting treatment prescribed by the Guidance Note on Employee Share-based Payments issued by the Institute of Chartered Accountants of India. The intrinsic value of the option being excess of fair value of the underlying share immediately prior to date of grant over its exercise price is recognised as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Statement of Profit and Loss on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion and credit to deferred employee compensation expense equal to the unamortised portion.

HDB Financial Services Limited

Long term employee benefits

Gratuity

The Company provides for gratuity to all employees. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, or death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company makes annual contributions to fund administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The defined benefit plan are valued by an independent external actuary as at the balance sheet date using the projected unit credit method to determine the present value of defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognised in the statement of profit and loss.

Provident fund

In accordance with the applicable law, all employees of the Company are entitled to receive benefits under the Provident Fund Act, 1952. The Company contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary) to the Pension Scheme administered by the Regional Provident Fund Commissioner (RPFC) and the Company has no liability for future provident fund benefits other than its annual contribution. Since it is a defined contribution plan, the contributions are accounted for on an accrual basis and recognised in the statement of profit and loss.

Compensated absences

The Company does not have a policy of encashment of unavailed leaves for its employees but are permitted to carry forward subject to a prescribed maximum days. The Company provides for compensated absences in accordance with AS 15 (revised 2005) Employee Benefits issued by Insititute of Chartered Accountants of India. The provision is based on an independent external actuarial valuation at the balance sheet date.

10. Debit and credit cards reward points

HDFC Bank Limited

The Bank estimates the probable redemption of debit and credit card reward points and cost per point using an actuarial method by employing an independent actuary, which includes assumptions such as mortality, redemption and spends.

Provisions for liabilities on said reward points are made based on the actuarial valuation report as furnished by the said independent actuary and included in other liabilities.

11. Bullion

HDFC Bank Limited

The Bank imports bullion including precious metal bars on a consignment basis for selling to its wholesale and retail customers. The imports are typically on a back-to-back basis and are priced to the customer based on an estimated price quoted by the supplier. The Bank earns a fee on such wholesale bullion transactions. The fee is classified under commission income.

The Bank also sells bullion to its retail customers. The difference between the sale price to customers and actual price paid to the supplier is recorded under commission income.

The Bank also deals in bullion on a borrowing and lending basis and the interest paid / received thereon is classified as interest expense / income respectively.

12. Lease accounting

Group

Lease payments including cost escalation for assets taken on operating lease are recognised in the Statement of Profit and Loss over the lease term on a straight-line basis in accordance with the AS-19, Leases.

13. Income tax

Group

Income tax expense comprises current tax provision (i.e. the amount of tax for the period determined in accordance with the Income Tax Act, 1961, the rules framed there under and considering the material principles set out in Income Computation and Disclosure Standards) and the net change in the deferred tax asset or liability during the year. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences between the carrying values of assets and liabilities and their respective tax bases, and operating loss carried forward, if any. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates as at the balance sheet date.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realised.

14. Earnings per share

Group

The Group reports basic and diluted earnings per equity share in accordance with AS-20, Earnings per Share. Basic earnings per equity share has been computed by dividing net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted to equity during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and the dilutive potential equity shares outstanding during the period except where the results are anti-dilutive.

15. Share issue expenses

HDFC Bank Limited

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

16. Segment information

Group

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

17. Accounting for provisions, contingent liabilities and contingent assets

Group

In accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets, the Group recognises provisions when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management 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 the 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, if any, are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

Onerous contracts

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

18. Cash and cash equivalents

Group

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

19. Corporate social responsibility

Group

Expenditure towards corporate social responsibility, in accordance with Companies Act 2013, are recognised in the Statement of Profit and Loss.

Schedule 18 - Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2016

Amounts in notes forming part of the financial statements for the year ended March 31, 2016 are denominated in rupees crore to conform to extant RBI guidelines.

1. Change in classification

Pursuant to RBI circular dated July 16, 2015, deposits placed with NABARD, SIDBI and NHB aggregating to ₹ 13,719.68 crore (previous year: ₹ 14,818.19 crore), arising out of the shortfall in meeting the priority sector lending targets/sub-targets, have been included under 'Other Assets' and interest thereon aggregating to ₹ 861.15 crore (previous year: ₹ 847.12 crore) under 'Interest Earned - Others'. Hitherto, these were included under 'Investments' and 'Interest Earned- Income on Investments' respectively. Figures for the previous year have been regrouped / reclassified to conform to current year's classification. The above change in classification has no impact on the profit of the Bank for the years ended March 31, 2016 and March 31, 2015.

2. Capital Infusion

During the year ended March 31, 2016, the Bank allotted 2,16,91,200 equity shares (previous year: 2,27,00,740 equity shares) aggregating to face value ₹ 4.34 crore (previous year: ₹ 4.54 crore) in respect of stock options exercised. Accordingly, share capital increased by ₹ 4.34 crore (previous year: ₹ 4.54 crore) and share premium increased by ₹ 1,218.56 crore (previous year: ₹ 990.88 crore).

Pursuant to the shareholder and regulatory approvals, the Bank on February 10, 2015, concluded a Qualified Institutions Placement (QIP) of 1,87,44,142 equity shares at a price of ₹ 1,067 per equity share aggregating ₹ 2,000 crore and an American Depository Receipt (ADR) offering of 2,20,00,000 ADRs (representing 6,60,00,000 equity shares) at a price of USD 57.76 per ADR, aggregating USD 1,271 million. Pursuant to these issuances, the Bank allotted 8,47,44,142 additional equity shares. Accordingly, share capital increased by ₹ 16.95 crore and share premium increased by ₹ 9,705.84 crore, net of share issue expenses of ₹ 151.03 crore.

Details of movement in the paid-up equity share capital of the Bank are given below:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Opening balance	501.30	479.81
Addition pursuant to QIP/ADR offering	-	16.95
Addition pursuant to stock options exercised	4.34	4.54
Closing balance	505.64	501.30

3. Earnings per equity share

Basic and diluted earnings per equity share have been calculated based on the consolidated profit attributable to the Group of ₹ 12,801.33 crore (previous year: ₹ 10,688.89 crore) and the weighted average number of equity shares outstanding during the year of 2,51,74,29,120 (previous year: 2,42,37,77,245)

Following is the reconciliation between basic and diluted earnings per equity share:

Particulars	For the years ended (₹)	
	March 31, 2016	March 31, 2015
Nominal value per share	2.00	2.00
Basic earnings per share	50.85	44.10
Effect of potential equity shares (per share)	(0.61)	(0.50)
Diluted earnings per share	50.24	43.60

Basic earnings per equity share have been computed by dividing net profit for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share have been computed by dividing the net profit for the year attributable to the equity shareholders by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. The dilutive impact is on account of stock options granted to employees by the Bank. There is no impact of dilution on the profits in the current year and previous year.

Following is the reconciliation of weighted average number of equity shares used in the computation of basic and diluted earnings per share:

Particulars	For the years ended	
	March 31, 2016	March 31, 2015
Weighted average number of equity shares used in computing basic earnings per equity share	2,51,74,29,120	2,42,37,77,245
Effect of potential equity shares outstanding	3,04,43,320	2,77,45,406
Weighted average number of equity shares used in computing diluted earnings per equity share	2,54,78,72,440	2,45,15,22,651

4. Reserves and surplus

Draw down from reserves

Share Premium

The Bank has not undertaken any drawdown from reserves during the years ended March 31, 2016 and March 31, 2015, except towards share issue expenses of ₹ 151.03 crore incurred for the equity raised through the Qualified Institutions Placement (QIP) and American Depository Receipts (ADR) routes during the year ended March 31, 2015, which have been adjusted in that year against the share premium account in terms of Section 52 of the Companies Act, 2013.

Statutory Reserve

The Group has made an appropriation of ₹ 3,180.93 crore (previous year: ₹ 2,623.87 crore) out of profits for the year ended March 31, 2016 to Statutory Reserve pursuant to the requirements of section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

Capital Reserve

During the year ended March 31, 2016, the Bank appropriated ₹ 222.15 crore (previous year: ₹ 224.92 crore), being the profit from sale of investments under HTM category and profit on sale of immovable properties, net of taxes and transfer to statutory reserve, from Profit and Loss Account to Capital Reserve account.

General Reserve

The Group has made an appropriation of ₹ 1,229.62 crore (previous year: ₹ 1,038.59 crore) out of profits for the year ended March 31, 2016 to General Reserve pursuant to provisions of the Companies Act, 2013.

Investment Reserve Account

During the year ended March 31, 2016, the Bank has transferred ₹ 8.52 crore (net) from Investment Reserve Account to Profit and Loss Account and in the previous year the Bank appropriated ₹ 27.54 crore (net) from Profit and Loss Account to Investment Reserve Account as per RBI guidelines.

5. Dividend on shares allotted pursuant to exercise of stock options

The Bank may allot equity shares after the Balance Sheet date but before the book closure date pursuant to the exercise of any employee stock options. These equity shares will be eligible for full dividend for the year ended March 31, 2016, if approved at the ensuing Annual General Meeting.

6. Accounting for employee share based payments

HDFC Bank Limited

The shareholders of the Bank approved grant of equity share options under Plan "C" in June 2005, Plan "D" in June 2007, Plan "E" in June 2010 and Plan “F” in June 2013. Under the terms of each of these Plans, the Bank may issue Equity Stock Options ('ESOPs') to employees and whole time directors of the Bank, each of which is convertible into one equity share. All the plans were framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time and as applicable at the time of grant. Accounting for the stock options has been in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014 to the extent applicable.

Plans C, D, E and F provide for the issuance of options at the recommendation of the Nomination & Remuneration Committee at the closing price on the working day immediately preceding the date when options are granted. The price being the closing price of the share on an Indian stock exchange with the highest trading volume as of the working day preceding the date of grant.

Vesting conditions applicable to the options are at the discretion of the Nomination & Remuneration Committee. These options are exercisable on vesting, for a period as set forth by the Nomination & Remuneration Committee at the time of grant. The period in which options may be exercised cannot exceed five years. During the years ended March 31, 2016 and March 31, 2015, no modifications were made to the terms and conditions of ESOPs as approved by the Nomination & Remuneration Committee.

Activity in the options outstanding under the Employee Stock Options Plans

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2016:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	10,90,33,000	683.16
Granted during the year	4,48,36,200	1,092.65
Exercised during the year	2,16,91,200	563.78
Forfeited / lapsed during the year	35,23,700	895.09
Options outstanding, end of year	12,86,54,300	840.19
Options exercisable	4,96,81,000	661.84

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2015:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	9,24,76,600	556.06
Granted during the year	4,16,59,000	835.50
Exercised during the year	2,27,00,740	438.50
Forfeited / lapsed during the year	24,01,860	744.09
Options outstanding, end of year	10,90,33,000	683.16
Options exercisable	4,18,71,400	537.99

- Following table summarises the information about stock options outstanding as at March 31, 2016:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan C	680.00 to 835.50	57,40,800	3.34	693.00
Plan D	680.00	51,33,900	3.32	680.00
Plan E	440.16 to 680.00	3,78,50,200	2.49	598.71
Plan F	835.50 to 1,097.80	7,99,29,400	4.80	975.41

- Following table summarises the information about stock options outstanding as at March 31, 2015:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan C	680.00 to 835.50	67,78,000	4.32	692.50
Plan D	680.00	64,02,300	4.26	680.00
Plan E	440.16 to 680.00	5,59,39,700	3.05	573.70
Plan F	835.50	3,99,13,000	5.22	835.50

Fair value methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the dates of each grant using the binomial option-pricing model. The Bank estimates the volatility based on the historical share prices. 4,48,36,200 options were granted during the year ended March 31, 2016 (previous year: 4,16,59,000). The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2016 and March 31, 2015 were:

Particulars	March 31, 2016	March 31, 2015
Dividend yield	0.73%	0.82%

Particulars	March 31, 2016	March 31, 2015
Expected volatility	23.29% to 26.46%	24.30% to 32.00%
Risk- free interest rate	7.71% to 8.07%	8.42 % to 8.63 %
Expected life of the options	1 to 7 Years	1 to 7 Years

Impact of fair value method on net profit and earnings per share ('EPS')

Had the compensation cost for the Bank's stock option plans been determined based on the fair value approach, the Bank's net profit and earnings per share would have been as per the pro forma amounts indicated below:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Net profit (as reported)	12,296.23	10,215.92
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock based compensation expense determined under fair value based method (pro forma)	1,265.93	944.47
Net profit (pro forma)	11,030.30	9,271.45
	(₹)	**(₹)**
Basic earnings per share (as reported)	48.84	42.15
Basic earnings per share (pro forma)	43.82	38.25
Diluted earnings per share (as reported)	48.26	41.67
Diluted earnings per share (pro forma)	43.29	37.82

HDFC Securities Limited

The Shareholders of the Company approved a stock option scheme (viz. ESOS–001) in February 2010 ("Company Options"). Under the terms of the scheme, the Company issues stock options to employees, whole time director, managing director and directors of the Company, each of which is convertible into one equity share.

Scheme ESOS-001 provides for the issuance of options at the recommendation of the Compensation Committee of the Board of Directors (the "Compensation Committee") at a price of ₹ 135/- per share, being the fair market value of the share arrived by a category 1 merchant banker.

Such options vest at definitive dates, save for specific incidents, prescribed in the scheme as framed/approved by the Compensation Committee. Such options are exercisable for a period following the vesting at the discretion of the Compensation Committee, subject to a maximum of two years from the date of vesting.

Method used for accounting for shared based payment plan

The Company uses the Intrinsic Value method to account for the compensation cost of stock options to employees of the Company.

Activity in the options outstanding under the Employee Stock Options Plan

- Activity in the options outstanding under the Employees Stock Options Plan as at March 31, 2016:

Particulars	Company options	Weighted average exercise price (₹)
Options outstanding, beginning of year	-	-
Granted during the year	-	-
Exercised during the year	-	-
Forfeited / Lapsed during the year	-	-
Options outstanding, end of year	-	-
Options Exercisable	-	-

There were no stock options outstanding as at March 31, 2016 as well as at March 31, 2015.

- Activity in the options outstanding under the Employees Stock Options Plan as at March 31, 2015:

Particulars	Company options	Weighted average exercise price (₹)
Options outstanding, beginning of year	8,700	135.00
Granted during the year	-	-

Particulars	Company options	Weighted average exercise price (₹)
Exercised during the year	8,000	135.00
Forfeited / Lapsed during the year	700	135.00
Lapsed during the year	-	-
Options outstanding, end of year	-	-
Options Exercisable	-	-

Impact of fair value method on net profit and EPS

Had compensation cost for the Company's stock option plans been determined based on the fair value approach, the Company's net profit and earnings per share would have been as per the pro forma amounts indicated below:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Net Profit (as reported)	133.34	164.97
Add: Stock- based employee compensation expense included in net income	-	-
(Less)/Add: Stock- based compensation expense determined under fair value based method (pro forma)	-	-
Net Profit (pro forma)	133.34	164.97
	(₹)	**(₹)**
Basic and diluted earnings per share (as reported)	86.16	106.60
Basic and diluted earnings per share (pro forma)	86.16	106.60

HDB Financial Services Limited

In accordance with resolution approved by the shareholders, the Company has reserved shares, for issue to employees through ESOP Scheme. On the approval of Nomination and Remuneration Committee (NRC), each ESOP scheme is issued. The NRC has approved stock option schemes ESOS–4 in October, 2010 and ESOS-5 on July 27, 2011 and ESOS-6 on June 11, 2012, ESOS-7 on July 19, 2013 and ESOS-8 on 14 July 2015. Under the term of the schemes, the Company may issue stock options to employees and directors of the Company, each of which is convertible into one equity share.

Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed/approved by the NRC. Such options are exercisable for a period following vesting at the discretion of the NRC, subject to a maximum of two years from the date of vesting.

Method used for accounting for shared based payment plan

The Company uses intrinsic value to account for the compensation cost of stock options to employees of the Company.

Activity in the options outstanding under the Employee Stock Option Plan

- Activity in the options outstanding under the Employee Stock Option Plan as at March 31, 2016:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	14,37,250	50.62
Granted during the year	44,13,000	88.00
Exercised during the year	7,02,550	48.25
Forfeited / lapsed during the year	3,04,750	76.22
Options outstanding, end of year	48,42,950	88.41

- Activity in the options outstanding under the Employee Stock Option Plan as at March 31, 2015:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	21,51,700	49.17
Granted during the year	-	-
Exercised during the year	5,65,800	46.42
Forfeited / lapsed during the year	1,48,650	45.54
Options outstanding, end of year	14,37,250	50.62

- Following table summarises the information about stock options outstanding as at March 31, 2016:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
ESOS – 5	25.00	4,000	0.50	25.00
ESOS – 6	31.00	70,650	1.30	31.00
ESOS – 7	56.00	5,60,300	1.35	56.00
ESOS – 8	88.00	42,08,000	1.40	88.00

- Following table summarises the information about stock options outstanding as at March 31, 2015:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
ESOS – 4	17.50	6,400	0.50	17.50
ESOS – 5	25.00	7,000	1.07	25.00
ESOS – 6	31.00	2,90,650	2.16	31.00
ESOS – 7	56.00	11,33,200	2.28	56.00

Fair Value methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of the Company's stock price as zero, since historical volatility of similar listed enterprise was not available. The various assumptions considered in the pricing model for the stock options granted by the Company during the year ended 31 March 2016 are:

Particulars	March 31, 2016	March 31, 2015
Dividend yield	0.80%	Nil
Expected volatility	Nil	Nil
Risk- free interest rate	7.70%	Nil
Expected life of the option	2.21 Years	Nil

Impact of fair value method on net profit and EPS

Had compensation cost for the Company's stock option plans been determined based on the fair value approach, the Company's net profit and earnings per share would have been as per the pro forma amounts indicated below:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Net Profit (as reported)	534.41	349.45
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method (pro forma)	4.87	1.45
Net Profit (pro forma)	529.54	348.00
	(₹)	**(₹)**
Basic earnings per share (as reported)	7.64	6.63
Basic earnings per share (pro forma)	7.57	6.60
Diluted earnings per share (as reported)	7.64	6.63
Diluted earnings per share (pro forma)	7.57	6.60

Group

Impact of fair value method on net profit and EPS of the Group

Had compensation cost for the stock option plans outstanding been determined based on the fair value approach, the Group's net profit and earnings per share would have been as per the pro forma amounts indicated below:

(₹ crore)

Particularsa	March 31, 2016	March 31, 2015
Net Profit (as reported)	12,801.33	10,688.89
Less: Stock-based compensation expense determined under fair value based method (pro forma)	1,270.80	945.92
Net Profit (pro forma)	11,530.53	9,742.97
	(₹)	**(₹)**
Basic earnings per share (as reported)	50.85	44.10
Basic earnings per share (pro forma)	45.80	40.20
Diluted earnings per share (as reported)	50.24	43.60
Diluted earnings per share (pro forma)	45.26	39.74

7. Other liabilities

- The Bank has presented gross unrealised gain on foreign exchange and derivative contracts under other assets and gross unrealised loss on foreign exchange and derivative contracts under other liabilities. Accordingly, other liabilities as on March 31, 2016 include unrealised loss on foreign exchange and derivative contracts of ₹ 7,524.88 crore (previous year: ₹ 6,914.10 crore).

- Other Liabilities include deferred tax liability (net) of ₹ 0.45 crore as on March 31, 2015 relating to HDFC Securities Limited. The breakup of the same is as follows:

(₹ crore)

Particulars	March 31, 2015
Deferred tax asset arising out of:	
Employee Benefits	1.04
Others	0.17
Total (a)	**1.21**
Deferred tax liability arising out of:	
Depreciation	(1.66)
Total (b)	**(1.66)**
Deferred tax (liability)/asset, net	**(0.45)**

8. Investments

- Investments include securities of Face Value (FV) aggregating ₹ 1,520.00 crore (previous year: FV ₹ 1,563.00 crore) which are kept as margin for clearing of securities, of FV ₹ 13,729.30 crore (previous year: FV ₹ 16,249.30 crore) which are kept as margin for Collateralised Borrowing and Lending Obligation (CBLO) and of FV aggregating ₹ 56.00 crore (previous year: FV ₹ 63.25 crore) which are kept as margin for Forex Forward segment – Default Fund with the Clearing Corporation of India Ltd.

- Investments include securities of FV aggregating ₹ 16.00 crore (previous year: FV ₹ 16.00 crore) which are kept as margin with National Securities Clearing Corporation of India Ltd. ('NSCCIL'), of FV aggregating ₹ 13.00 crore (previous year: FV ₹ 13.00 crore) which are kept as margin with MCX - SX Clearing Corporation Ltd., and of FV aggregating ₹ 1.00 crore (previous year: ₹ 2.00 crore) which are kept as margin with Indian Clearing Corporation Limited in the BSE currency derivatives segment.

- Investments having FV aggregating ₹ 35,937.22 crore (previous year: FV ₹ 34,127.16 crore) are kept as margin towards Real Time Gross Settlement (RTGS) and those having FV aggregating ₹ 13,091.46 crore (previous year: ₹ 19,077.83 crore) are kept as margin towards repo transactions with the RBI.

9. Other fixed assets

Other fixed assets includes amount capitalised relating to software, Bombay Stock Exchange card and electronic trading platform. Summary regarding the same is tabulated below:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Cost		
As at March 31 of the previous year	1,609.52	1,311.52
Additions during the year	165.31	298.06
Deductions during the year	(0.01)	(0.06)

Particulars	March 31, 2016	March 31, 2015
Total (a)	**1,774.82**	**1,609.52**
Depreciation		
As at March 31 of the previous year	1,049.45	881.25
Charge for the year	199.27	168.26
On deductions during the year	(0.01)	(0.06)
Total (b)	**1,248.71**	**1,049.45**
Net value (a-b)	**526.11**	**560.07**

10. Other assets

- Other Assets include deferred tax asset (net) of ₹ 2,227.23 crore (previous year: ₹ 2,031.98 crore). Deferred tax asset (net) also includes deferred tax asset (net) of ₹ 0.13 crore (previous year: Nil) relating to HDFC Securities Limited. The break-up of the same is as follows:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Deferred tax asset arising out of:		
Loan loss provisions	1,856.51	1,679.06
Employee benefits	150.77	115.18
Others	314.47	310.09
Total (a)	**2,321.75**	**2,104.33**
Deferred tax liability arising out of:		
Depreciation	(94.52)	(72.35)
Total (b)	**(94.52)**	**(72.35)**
Deferred tax asset (net) (a-b)	**2,227.23**	**2,031.98**

11. Provisions, contingent liabilities and contingent assets

Given below is the movement in provisions and a brief description of the nature of contingent liabilities recognised by the Bank.

(a) Provision for credit card and debit card reward points

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Opening provision for reward points	200.07	150.91
Provision for reward points made during the year	179.50	112.92
Utilisation / write back of provision for reward points	(73.21)	(63.76)
Closing provision for reward points	306.36	200.07

(b) Provision for legal and other contingencies

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Opening provision	354.91	352.61
Movement during the year (net)	(10.35)	2.30
Closing provision	344.56	354.91

Description of contingent liabilities

Sr. No.	Contingent liability*	Brief description
1	Claims against the Group not acknowledged as debts-taxation	The Group is a party to various taxation matters in respect of which appeals are pending. The Group expects the outcome of the appeals to be favorable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and the provisions of Income Tax Act, 1961.

Sr. No.	Contingent liability*	Brief description
2	Claims against the Group not acknowledged as debts-others	The Group is a party to various legal proceedings in the normal course of business. The Group does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, results of operations or cash flows.
3	Liability on account of forward exchange and derivative contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants 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 one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts of financial instruments such as foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the Balance Sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms.
4	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the Bank's customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
5	Other items for which the Group is contingently liable	These include: a) Credit enhancements in respect of securitized-out loans; b) Bills rediscounted by the Bank; c) Capital commitments; d) Underwriting commitments

* *Also refer Schedule 12 - Contingent liabilities*

12. Commission, exchange and brokerage income

Commission, exchange and brokerage income is net of correspondent bank charges.

13. Provisions and contingencies

The break-up of 'Provisions and Contingencies' included in the Statement of Profit and Loss is given below:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Provision for income tax		
- Current	6,889.36	5,492.37
- Deferred	(195.70)	(112.97)

Particulars	March 31, 2016	March 31, 2015
Provision for wealth tax	-	0.77
Provision for NPAs	2,344.37	1,868.20
Provision for diminution in value of non-performing investments	14.65	(3.82)
Provision for standard assets	464.89	310.35
Other provisions and contingencies*	136.86	91.25
Total	**9,654.43**	**7,646.15**

* *Includes provisions for tax, legal and other contingencies ₹ 37.33 crore (previous year: ₹ 36.52 crore), floating provisions ₹ 115.00 crore (previous year: ₹ 32.20 crore), provisions/ (write back) for securitised-out assets ₹ (2.85) crore (previous year: ₹ 4.60 crore) and standard restructured assets ₹ (12.62) crore (previous year: ₹ 17.93 crore).*

14. Employee benefits

Gratuity

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	318.37	242.71
Interest cost	22.98	18.68
Current service cost	56.53	52.21
Benefits paid	(24.88)	(16.31)
Actuarial (gain) / loss on obligation:		
Experience adjustment	16.27	4.84
Assumption change	12.66	16.24
Present value of obligation as at March 31	**401.93**	**318.37**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	248.13	176.20
Expected return on plan assets	21.72	16.97
Contributions	64.10	50.00
Benefits paid	(24.88)	(16.31)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	(13.61)	21.27
Assumption change	-	-
Fair value of plan assets as at March 31	**295.46**	**248.13**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	295.46	248.13
Present value of obligation as at March 31	(401.93)	(318.37)
Asset / (liability) as at March 31	**(106.47)**	**(70.24)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	22.98	18.68
Current service cost	56.53	52.21
Expected return on plan assets	(21.72)	(16.59)
Net actuarial (gain) / loss recognised in the year	42.54	(0.20)
Net Cost	**100.33**	**54.10**
Actual return on plan assets	8.11	38.25
Estimated contribution for the next year	53.08	66.17
Assumptions (HDFC Bank Limited)		
Discount rate	7.5% per annum	7.9% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.0% per annum	8.0% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	7.6% per annum	8.0% per annum
Expected return on plan assets	7.6% per annum	8.0% per annum
Salary escalation rate	9.0% per annum	7.0% per annum
Assumptions (HDB Financial Services Limited)		
Discount rate	7.8% per annum	7.8% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	6.0% per annum	5.0% per annum

Experience adjustment

(₹ crore)

Particulars	Years ended March 31,				
	2016	2015	2014	2013	2012
Plan assets	295.46	248.13	176.20	132.60	93.32
Defined benefit obligation	401.93	318.37	242.71	209.82	168.60
Surplus / (deficit)	(106.47)	(70.24)	(66.51)	(77.22)	(75.28)
Experience adjustment gain / (loss) on plan assets	(13.61)	21.27	1.82	2.00	(0.95)
Experience adjustment (gain) / loss on plan liabilities	16.27	4.84	6.30	2.61	1.22

Expected rate of return on investments is determined based on the assessment made by the Group at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as of March 31, 2016 are given below:

Category of plan assets	HDFC Bank Limited	HDFC Securities Limited	HDB Financial Services Limited
Government securities	33.3%	54.0%	52.0%
Debenture and bonds	23.1%	31.0%	39.6%
Equity shares	37.2%	9.0%	-
Others	6.4%	6.0%	8.4%
Total	**100.0%**	**100.0%**	**100.0%**

Pension

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	57.45	58.89
Interest cost	3.92	4.37
Current service cost	1.12	1.02
Benefits paid	(10.18)	(7.94)
Actuarial (gain) / loss on obligation:		
Experience adjustment	17.35	(0.19)
Assumption change	1.22	1.30
Present value of obligation as at March 31	**70.88**	**57.45**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	41.91	47.99
Expected return on plan assets	3.21	3.60
Contributions	2.01	0.64
Benefits paid	(10.18)	(7.94)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	1.43	(2.38)
Assumption change	-	-
Fair value of plan assets as at March 31	**38.38**	**41.91**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	38.38	41.91
Present value of obligation as at March 31	(70.88)	(57.45)
Asset / (liability) as at March 31	**(32.50)**	**(15.54)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	3.92	4.37
Current service cost	1.12	1.02
Expected return on plan assets	(3.21)	(3.60)
Net actuarial (gain) / loss recognised in the year	17.14	3.48
Net cost	**18.97**	**5.27**
Actual return on plan assets	4.64	1.22
Estimated contribution for the next year	14.00	15.70
Assumptions		

Particulars	March 31, 2016	March 31, 2015
Discount rate	7.5% per annum	7.9% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.0% per annum	8.0% per annum

Experience adjustment

(₹ crore)

Particulars	Years ended March 31,				
	2016	2015	2014	2013	2012
Plan assets	38.38	41.91	47.99	48.88	51.14
Defined benefit obligation	70.88	57.45	58.89	58.19	56.85
Surplus / (deficit)	(32.50)	(15.54)	(10.90)	(9.31)	(5.71)
Experience adjustment gain / (loss) on plan assets	1.43	(2.38)	3.45	(1.58)	(1.29)
Experience adjustment (gain) / loss on plan liabilities	17.35	(0.19)	3.62	6.12	1.36

Expected rate of return on investments is determined based on the assessment made by the Bank at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as of March 31, 2016 are given below:

Category of plan assets	% of fair value to total plan assets
Government securities	6.6%
Debenture and bonds	83.3%
Others	10.1%
Total	**100.0%**

Provident fund

The guidance note on AS-15, Employee Benefits, states that employer established provident funds, where interest is guaranteed are to be considered as defined benefit plans and the liability has to be valued. The Institute of Actuaries of India (IAI) has issued a guidance note on valuation of interest rate guarantees on exempt provident funds. The actuary has accordingly valued the same and the Bank held a provision of ₹ Nil as on March 31, 2016 (previous year: ₹ 0.52 crore) towards the present value of the guaranteed interest benefit obligation. The actuary has followed Deterministic approach as prescribed by the guidance note.

Assumptions:

Assumptions	March 31, 2016	March 31, 2015
Discount rate (GOI security yield)	7.5% per annum	7.9% per annum
Expected guaranteed interest rate	9.0% per annum	9.0% per annum

The Bank does not have any unfunded defined benefit plan. The Group contributed ₹ 206.93 crore (previous year: ₹ 172.49 crore) to the provident fund. The Bank contributed ₹ 56.54 crore (previous year: ₹ 53.68 crore) to the superannuation plan.

Compensated absences

The actuarial liability of compensated absences of accumulated privileged and sick leaves of the employees of the Group as of March 31, 2016 is given below:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Privileged leave	227.40	189.68
Sick leave	47.88	38.66
Total actuarial liability	**275.28**	**228.34**
Assumptions (HDFC Bank Limited)		
Discount rate	7.5% per annum	7.9% per annum
Salary escalation rate	8.0% per annum	8.0% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	7.6% per annum	8.0% per annum
Salary escalation rate	9.0% per annum	7.0% per annum

Particulars	March 31, 2016	March 31, 2015
Assumptions (HDB Financial Services Limited)		
Discount rate	7.8% per annum	7.8% per annum
Salary escalation rate	6.0% per annum	5.0% per annum

15. Segment reporting

Business Segments

Business segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by RBI. The Group operates in the following segments:

(a) Treasury

The treasury segment primarily consists of net interest earnings from the Bank's investments portfolio, money market borrowing and lending, gains or losses on investment operations and on account of trading in foreign exchange and derivative contracts.

(b) Retail banking

The retail banking segment of the Bank serves retail customers through a branch network and other delivery channels. This segment raises deposits from customers and provides loans and other services to customers with the help of specialist product groups. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof.

Revenues of the retail banking segment are derived from interest earned on retail loans, interest earned from other segments for surplus funds placed with those segments, subvention received from dealers and manufacturers, fees from services rendered, foreign exchange earnings on retail products etc. Expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.

(c) Wholesale banking

The wholesale banking segment provides loans, non-fund facilities and transaction services to large corporates, emerging corporates, public sector units, government bodies, financial institutions and medium scale enterprises. Revenues of the wholesale banking segment consist of interest earned on loans made to customers, interest/fees earned on the cash float arising from transaction services, earnings from trade services and other non-fund facilities and also earnings from foreign exchange and derivative transactions on behalf of customers. 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 of delivery channels, specialist product groups, processing units and support groups.

(d) Other banking business

This segment includes income from para banking activities such as credit cards, debit cards, third party product distribution, primary dealership business and the associated costs. This segment also includes Bank's subsidiaries.

(e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes capital and reserves, debt classified as Tier I or Tier II capital and other unallocable assets and liabilities such as deferred tax, prepaid expenses, etc.

Segment revenue includes earnings from external customers plus earnings from funds transferred to other segments. Segment result includes revenue less interest expense less operating expense and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Interest income is charged by a segment that provides funding to another segment, based on yields benchmarked to an internally approved yield curve or at a certain agreed transfer price rate. Transaction charges are levied by the retail-banking segment to the wholesale banking segment for the use by its customers of the retail banking segment's branch network or other delivery channels. Such transaction costs are determined on a cost plus basis. Segment capital employed represents the net assets in that segment.

Geographic segments

The geographic segments of the Bank are categorized as Domestic Operations and Foreign Operations. Domestic Operations comprise branches in India and Foreign Operations comprise branches outside India.

Segment reporting for the year ended March 31, 2016 is given below:

Business segments:

(₹ crore)

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	18,264.88	59,252.34	27,162.39	10,954.46	1,15,634.07
2	Unallocated revenue					0.01
3	Less: Inter-segment revenue					41,260.86
4	Income from operations (1) + (2) - (3)					74,373.22
5	Segment results	1,489.21	7,522.30	8,219.93	3,705.31	20,936.75
6	Unallocated expenses					1,425.76
7	Income tax expense (including deferred tax)					6,693.66
8	Net profit (5) - (6) - (7) (net profit before minority interest and earnings from associates)					12,817.33
9	Segment assets	2,03,381.47	2,52,690.65	2,26,242.65	43,049.31	7,25,364.08
10	Unallocated assets					4,897.74
11	Total assets (9) + (10)					7,30,261.82
12	Segment liabilities	45,389.87	4,48,313.40	1,20,425.52	22,085.58	6,36,214.37
13	Unallocated liabilities					19,562.70
14	Total liabilities (12) + (13)					6,55,777.07
15	Capital employed (9) - (12)	1,57,991.60	(1,95,622.75)	1,05,817.13	20,963.73	89,149.71
	(Segment Assets – Segment Liabilities)					
16	Unallocated (10) - (13)					(14,664.96)
17	Total (15) + (16)					74,484.75
18	Capital expenditure	5.09	729.46	134.59	135.72	1,004.86
19	Depreciation	6.16	540.47	101.67	89.73	738.03

Geographic segments:

(₹ crore)

Particulars	Domestic	International
Revenue	73,216.82	1,156.40
Assets	6,94,304.94	35,956.88
Capital expenditure	1,003.97	0.89

Segment reporting for the year ended March 31, 2015 is given below:

Business segments:

(₹ crore)

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	12,903.89	48,814.18	23,152.60	8,946.94	93,817.61
2	Unallocated revenue					8.63
3	Less: Inter-segment revenue					33,614.06

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
4	Income from operations (1) + (2) - (3)					60,212.18
5	Segment results	618.30	6,228.83	7,471.83	3,237.61	17,556.57
6	Unallocated expenses					1,477.12
7	Income tax expense (including deferred tax)					5,379.40
8	Net profit (5) - (6) - (7) (net profit before minority interest and earnings from associates)					10,700.05
9	Segment assets	1,90,609.16	1,97,144.15	1,81,325.74	33,588.91	6,02,667.96
10	Unallocated assets					4,428.56
11	Total assets (9) + (10)					6,07,096.52
12	Segment liabilities	36,352.78	3,71,355.13	98,250.45	16,825.11	5,22,783.47
13	Unallocated liabilities					20,997.36
14	Total liabilities (12) + (13)					5,43,780.83
15	Capital employed (9) - (12)	1,54,256.38	(1,74,210.98)	83,075.29	16,763.80	79,884.49
	(Segment Assets – Segment Liabilities)					
16	Unallocated (10) - (13)					(16,568.80)
17	Total (15) + (16)					63,315.69
18	Capital expenditure	6.02	587.72	214.09	93.46	901.29
19	Depreciation	5.91	521.71	79.44	73.39	680.45

Geographic segments:

(₹ crore)

Particulars	Domestic	International
Revenue	59,239.01	973.17
Assets	5,75,346.47	31,750.05
Capital expenditure	899.05	2.24

16. Related party disclosures

As per AS-18 on Related Party Disclosures, the Group's related parties are disclosed below:

Promoter

Housing Development Finance Corporation Limited

Associates

Atlas Documentary Facilitators Company Private Limited

HBL Global Private Limited

International Asset Reconstruction Company Private Limited

Key management personnel

Aditya Puri, Managing Director

Paresh Sukthankar, Deputy Managing Director

Kaizad Bharucha, Executive Director

Related parties to key management personnel

Salisbury Investments Private Limited, Tanaksh Innovations Private Limited, Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad, Havovi Bharucha, Huzaan Bharucha, Danesh Bharucha, Daraius Bharucha.

In accordance with paragraph 5 of AS - 18, the Bank has not disclosed certain transactions with relatives of Key Management Personnel as they are in the nature of banker-customer relationship.

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

- Interest paid: Housing Development Finance Corporation Limited ₹ 7.25 crore (previous year: ₹ 7.60 crore); Atlas Documentary Facilitators Company Private Limited ₹ 3.84 crore (previous year: ₹ 4.25 crore).
- Interest received: International Asset Reconstruction Company Private Limited ₹ 2.27 crore (previous year: ₹ 4.53 crore).
- Rendering of services: Housing Development Finance Corporation Limited ₹ 178.83 crore (previous year: ₹ 144.37 crore).
- Receiving of services: HBL Global Private Limited ₹ 702.20 crore (previous year: ₹ 589.50 crore); Atlas Documentary Facilitators Company Private Limited ₹ 471.44 crore (previous year: ₹ 449.50 crore); Housing Development Finance Corporation Limited ₹ 247.21 crore (previous year: ₹ 139.83 crore).
- Dividend paid: Housing Development Finance Corporation Limited ₹ 314.57 crore (previous year: ₹ 269.35 crore).

The Group's related party balances and transactions for the year ended March 31, 2016 are summarized as follows:

(₹ crore)

Items / Related party	Promoter	Associates	Key management personnel	Total
Deposits taken	4,405.56 (4,405.56)	100.02 (100.02)	10.12 (11.50)	4,515.70 (4,517.08)
Deposits placed	0.15 (0.15)	0.10 (7.10)	2.51 (2.51)	2.76 (9.76)
Advances given	- -	0.22 (36.95)	0.95 (0.99)	1.17 (37.94)
Fixed assets purchased from	-	-	-	-
Fixed assets sold to	-	-	-	-
Interest paid to	7.25	3.89	0.84	11.98
Interest received from	-	2.27	0.02	2.29
Income from services rendered to	178.83	6.07	-	184.90
Expenses for receiving services from	247.21	1,173.64	0.76	1421.61
Equity investments	- -	31.19 (31.19)	- -	31.19 (31.19)
Dividend paid to	314.57	-	3.37	317.94
Dividend received from	-	0.01	-	0.01
Receivable from	16.30 (28.42)	- (0.38)	- -	16.30 (28.80)
Payable to	26.93 (26.93)	39.85 (102.70)	- -	66.78 (129.63)
Guarantees given	0.14 (0.14)	- -	- -	0.14 (0.14)
Remuneration paid	-	-	18.34	18.34
Loans purchased from	12,773.37	-	-	12,773.37

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.
Remuneration paid excludes value of employee stock options exercised during the year.

The Bank being an authorised dealer, deals in foreign exchange and derivative transactions with parties which include its promoter. The foreign exchange and derivative transactions are undertaken in line with the RBI guidelines. The notional principal amount of foreign exchange and derivative contracts transacted with the promoter that were outstanding as on March 31, 2016 is ₹ 491.21 crore (previous year: ₹ 100.00 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is ₹ 18.90 crore (previous year: ₹ 2.80 crore).

During the year ended March 31, 2016, the Bank purchased debt securities from Housing Development Finance Corporation Limited ₹ 1,415.00 crore (previous year: Nil) issued by it.

During the year ended March 31, 2016, the Bank paid rent of ₹ 0.66 crore (previous year: ₹ 0.66 crore) to parties related to the Bank's key management personnel in relation to residential accommodation. As at March 31, 2016, the security deposit outstanding was ₹ 3.50 crore (previous year: ₹ 3.50 crore).

The Group's related party balances and transactions for the year ended March 31, 2015 are summarized as follows:

(₹ crore)

Items / Related party	Promoter	Associates	Key management personnel	Total
Deposits taken	2,203.45 (2,203.45)	113.06 (113.06)	12.68 (12.68)	2,329.19 (2,329.19)
Deposits placed	0.15 (0.15)	13.35 (33.45)	2.51 (2.51)	16.01 (36.11)
Advances given	- -	25.67 (46.55)	0.95 (0.95)	26.62 (47.50)
Fixed assets purchased from	-	-	-	-
Fixed assets sold to	-	-	-	-
Interest paid to	7.60	4.27	0.99	12.86
Interest received from	-	4.53	0.02	4.55
Income from services rendered to	144.37	12.25	-	156.62
Expenses for receiving services from	139.83	1,039.00	0.71	1,179.54
Equity investments	- -	31.19 (31.19)	- -	31.19 (31.19)
Dividend paid to	269.35	-	2.95	272.30
Dividend received from	-	0.01	-	0.01
Receivable from	14.89 (14.89)	- (1.30)	- -	14.89 (16.19)
Payable to	19.25 (19.25)	5.99 (92.45)	- (0.03)	25.24 (111.73)
Guarantees given	0.11 (0.11)	- -	- -	0.11 (0.11)
Remuneration paid	-	-	15.10	15.10
Loans purchased from	8,249.21	-	-	8,249.21

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.
Remuneration paid excludes value of employee stock options exercised during the year.

17. Leases

Operating leases primarily comprise office premises, staff residences and Automated Teller Machines ('ATM's), which are renewable at the option of the Bank. The details of maturity profile of future operating lease payments are given below:

(₹ crore)

Particulars	March 31, 2016	March 31, 2015
Not later than one year	925.82	807.72
Later than one year and not later than five years	2,947.21	2,676.05
Later than five years	2,564.32	2,023.02
Total	**6,437.35**	**5,506.79**
The total of minimum lease payments recognised in the Statement of Profit and Loss for the year	1,038.00	889.93
Total of future minimum sub-lease payments expected to be received under non-cancellable subleases	37.13	38.07
Sub-lease amounts recognised in the Statement of Profit and Loss for the year	10.67	16.02
Contingent (usage based) lease payments recognised in the Statement of Profit and Loss for the year	180.53	169.44

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

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

18. Penalties levied by the RBI

During the year ended March 31, 2016, RBI has not imposed any penalties on the Bank.

During the previous year ended March 31, 2015, RBI levied on the Bank a penalty of ₹ 0.05 crore on the grounds that the Bank failed to exchange information about the conduct of a corporate borrower's account with other banks at intervals as prescribed in the RBI guidelines on 'Lending under Consortium Arrangement/Multiple Banking Arrangements' and the same was paid by the Bank.

19. Small and micro industries

HDFC Bank Limited

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 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.

HDFC Securities Limited

On the basis of the information available with the Company and the intimation received from 'suppliers' regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 the amount unpaid as at March 31, 2016 was ₹ 0.02 crore (previous year: ₹ 0.02 crore).

HDB Financial Services Limited

As per the confirmation received from the suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006, the amount unpaid as at March 31, 2016 was Nil (previous year: Nil).

20. Corporate social responsibility

Operating expenses include ₹ 197.10 crore (previous year: ₹ 119.02 crore) for the year ended March 31, 2016 towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013.

The details of amount spent during the respective years towards CSR are as under:-

(₹ crore)

		March 31,2016			March 31,2015		
		Amount spent	Amount unpaid/ Provision	Total	Amount spent	Amount unpaid/ provision	Total
(i)	Construction/acquisition of any asset	-	-	-	-	-	-
(ii)	On purpose other than (i) above	188.75	8.35	197.10	112.01	7.01	119.02

21. Additional disclosure

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiaries have no material bearing on the true and fair view of the consolidated financial statements and the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements.

22. Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

For and on behalf of the Board

Mumbai, April 22, 2016

DECLARATION

The Bank certifies that all relevant provisions of Chapter VIII and Schedule XVIII of the SEBI ICDR Regulations have been complied with and no statement made in this Preliminary Placement Document is contrary to the provisions of Chapter VIII and Schedule XVIII of the SEBI ICDR Regulations and that all approvals and permissions required to carry on the Bank's business have been obtained, are currently valid and have been complied with. The Bank further certifies that all the statements in this Preliminary Placement Document are true and correct.

Signed by:

Sd/-

Aditya Puri

Managing Director

Date: July 30, 2018 Place: Mumbai

DECLARATION

We, the Board of Directors of the Bank certify that:

(i) the Bank has complied with the provisions of the Companies Act and the rules made thereunder;

(ii) the compliance with the Companies Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government;

(iii) the monies received under the offer shall be used only for the purposes and objects indicated in this Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4).

Signed by:

Sd/-	Sd/-
_________________	_________________
Aditya Puri, Managing Director	*Paresh Sukthankar, Deputy Managing Director*

I am authorised by the Special Committee of the Board of Directors of the Bank, vide resolution number 2 dated July 30, 2018, to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoter subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed:

Sd/-

____

Santosh Haldankar, Vice President Legal & Company Secretary

Date: July 30, 2018

Place: Mumbai

HDFC BANK LIMITED

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