Placement Document
Serial Number: _____
Strictly Confidential

HDFC BANK LIMITED

*HDFC Bank Limited (the "**Bank**") was incorporated on August 30, 1994 under the Companies Act, 1956 with CIN L65920MH1994PLC080618.*

The Bank is issuing 18,744,142 Equity Shares (as defined below) at a price of ₹ 1,067 per Equity Share (the "**Issue Price**"), including a premium of ₹ 1,065 per Equity Share, aggregating to ₹ 20,000 million (the "**Issue**").

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 REGULATIONS") AND SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED AND THE RULES MADE THEREUNDER

The equity shares of the Bank of face value of ₹ 2 each (the "**Equity Shares**") are listed on the National Stock Exchange of India Limited (the "**NSE**") and BSE Limited (the "**BSE**", together with the NSE, the "**Stock Exchanges**"). The closing price of the outstanding Equity Shares on the BSE and the NSE on February 3, 2015 was ₹ 1,063.25 and ₹ 1,064.10 per Equity Share, respectively. In-principle approvals under clause 24(a) of the Listing Agreement for listing of the Equity Shares have been received from the BSE on February 4, 2015 and the NSE on February 4, 2015. 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 Bank or of the Equity Shares.

THE BANK HAS PREPARED THIS PLACEMENT DOCUMENT SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE.

A copy of the Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4 (as defined hereinafter)) has been delivered to the Stock Exchanges. A copy of this Placement Document (which includes disclosures prescribed under Form PAS-4) has also been delivered to the Stock Exchanges. The Bank shall also make the requisite filings with the Registrar of Companies, Maharashtra at Mumbai (the "**RoC**") and the Securities and Exchange Board of India ("**SEBI**") within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014. This 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 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 Placement Document has been prepared by the Bank solely for providing information in connection with the Issue.

THE ISSUE AND THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING DONE IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT 2013 AND THE RULES MADE THEREUNDER AND CHAPTER VIII OF THE SEBI REGULATIONS. THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND ONLY QUALIFIED INSTITUTIONAL BUYERS, AS DEFINED IN REGULATION 2(1)(zd) OF THE SEBI REGULATIONS ("QIBs") <u>WHICH ARE NOT</u>: (A) EXCLUDED PURSUANT TO REGULATION 86 OF THE SEBI REGULATIONS; (B) REGISTERED FPIs, FIIs, FVCIs, BILATERAL AND MULTILATERAL FINANCIAL INSTITUTIONS OR ANY OTHER QIB THAT IS NOT AN ENTITY DEEMED TO BE A PERSON RESIDENT IN INDIA UNDER THE FOREIGN EXCHANGE MANAGEMENT ACT, 1999 ("NON-RESIDENT"); OR (C) 'OWNED' OR 'CONTROLLED' BY NON-RESIDENTS/ PERSONS RESIDENT OUTSIDE INDIA, AS DEFINED UNDER FEMA, EXCEPT AS SPECIFICALLY SET FORTH IN THIS PLACEMENT DOCUMENT, ARE ELIGIBLE TO INVEST IN THIS ISSUE ("ELIGIBLE QIBs").

YOU MAY NOT AND ARE NOT AUTHORISED TO (1) DELIVER THIS PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

INVESTMENTS IN EQUITY SHARES INVOLVE A DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THE ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ THE SECTION "RISK FACTORS" ON PAGE 37 BEFORE MAKING AN INVESTMENT DECISION RELATING TO THE ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE PARTICULAR CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES BEING ISSUED PURSUANT TO THIS PLACEMENT DOCUMENT.

Invitations, offers and sales 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 and this Placement Document and the Confirmation of Allotment Note. For further details, see the section "Issue Procedure" on page 182. The distribution of this 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 Placement Document, agrees to observe the foregoing restrictions and to make no copies of the Preliminary Placement Document or any documents referred to in this Placement Document.

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. See the sections "Selling Restrictions" and "Transfer Restrictions" on pages 193 and 202, 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.**

The information on the Bank's website or any website directly or indirectly linked to the Bank's website does not constitute nor form part of this Placement Document and prospective investors should not rely on such information contained in, or available through, any such websites.

GLOBAL COORDINATORS AND BOOK RUNNING LEAD MANAGERS				
DSP Merrill Lynch Limited	**Credit Suisse Securities (India) Private Limited**	**JM Financial Institutional Securities Limited**	**J.P. Morgan India Private Limited**	**Morgan Stanley India Company Private Limited**

BOOK RUNNING LEAD MANAGERS			
Barclays Bank PLC	**Goldman Sachs (India) Securities Private Limited**	**Nomura Financial Advisory and Securities (India) Private Limited**	**UBS Securities India Private Limited**

This Placement Document is dated February 5, 2015.

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NOTICE TO INVESTORS

The Bank has furnished and accepts full responsibility for all of the information contained in this Placement Document and confirms that to its best knowledge and belief, having made all reasonable enquiries, this Placement Document contains all information with respect to the Bank and the Equity Shares which is material in the context of the Issue. The statements contained in this Placement Document relating to the Bank and the Equity Shares are, in all material respects, true and accurate and not misleading, and the opinions and intentions expressed in this Placement Document with regard to the Bank 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 and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this 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 the information contained in this 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 Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this 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 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 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 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 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. The Equity Shares are transferable only in accordance with the restrictions described in the section "Transfer Restrictions" on page 202. Subscriber 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 202, 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.**

The distribution of this Placement Document or the disclosure of its contents without the prior consent of the Bank to any person, other than Eligible QIBs specified by the Lead Managers or their representatives, and those retained by Eligible 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 Placement Document, agrees to observe the foregoing restrictions and make no copies of this Placement Document or any documents referred to in this Placement Document

The distribution of this Placement Document and the issue of the Equity Shares may be restricted in certain jurisdictions by law. As such, this 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 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 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.

In making an investment decision, investors 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 Placement Document as legal, tax, accounting or investment advice. Investors 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 Regulations and Section 42 of the Companies Act, 2013, 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 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.

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 Placement Document. Prospective investors should not rely on such information contained in, or available through, any such websites.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (THE "RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENCED IN THE STATE OF NEW HAMPSHIRE, CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT, NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION, MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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 193 and 202, respectively.

REPRESENTATIONS BY INVESTORS

References herein to "you" or "your" is to the prospective investors 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 Regulations and not excluded pursuant to Regulation 86(1)(b) of the SEBI 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 Regulations and undertake to comply with the SEBI 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, except as specified in this Placement Document, and you undertake that your investment pursuant to the Issue shall not amount to direct or indirect foreign investment in the Bank;

- 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;

- You have made, or are deemed to have made, as applicable, the representations set forth under sections "Selling Restrictions" and "Transfer Restrictions" on pages 193 and 202, respectively;

- You are aware that the Equity Shares have not been and will not be registered through a prospectus under the Companies Act (as defined hereinafter), the SEBI Regulations or under any other law in force in India. The Preliminary Placement Document and this Placement Document have 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;

- 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 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;

- All statements other than statements of historical fact included in this 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 Placement Document. The Bank assumes no responsibility to update any of the forward-looking statements contained in this 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 if you are Allotted more than 5.00% 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 Placement Document and have read it in its entirety, including in particular, the section "Risk Factors" on page 37;

- 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 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 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 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 Regulations) of the Bank;

- You agree that in terms of Section 42(7) of the Companies Act, 2013, we shall file the list of Eligible QIBs (to whom the Preliminary Placement Document has been circulated) along with other particulars with the RoC and SEBI within 30 days of circulation of this 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 apply and hold the Equity Shares Allotted to you together with any Equity Shares 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 50.00% 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 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 such Equity Shares are issued by the Stock Exchanges;

- You acknowledge, represent and agree that your 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 your "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. Except in case you are 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, your Holding after allotment shall not exceed your existing Holding without the previous approval of the RBI;

- You are aware that after the completion of the allotment process, the Bank shall apply for a post facto approval from the RBI in respect of this Issue and that in the event that RBI does not grant the post facto approval in respect of Allotment of Equity Shares to you, you shall be required to comply with the instructions received from the RBI in this regard;

- You are aware that (i) applications for in-principle approval, in terms of clause 24(a) of the Listing Agreements, 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 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;

- The contents of this 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 Placement Document or any information previously published by or on behalf of the Bank and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Placement Document or otherwise. By accepting a participation 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 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 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 the Preliminary Placement Document and this 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 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; 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.

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. P-Notes may 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 shall also ensure that no further issue or transfer of any instrument referred to above is made to any person other than such entities regulated by appropriate foreign regulatory authorities. P-Notes have not been and are not being offered or sold pursuant to this Placement Document. This 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.

Affiliates of the Lead Managers which are Eligible FPIs may purchase, to the extent permissible under law, the Equity Shares in the Issue, and may issue P-Notes in respect thereof. 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.

Prospective investors 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. Prospective investors 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 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 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 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 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 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".

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 audited standalone financial statements of the Bank as of and for the Fiscal Years ended March 31, 2014, 2013 and 2012, audited consolidated financial statements of the Bank as of and for the Fiscal Years ended March 31, 2014, 2013 and 2012 each prepared in accordance with Indian GAAP and our audited standalone financial results for the six months ended September 30, 2014 are included in this Placement Document in the section "Financial Statements" on page 228.

The Bank publishes its financial statements in Indian Rupees. The financial statements of the Bank included herein have been prepared in accordance with Indian GAAP as applicable to banks in India. Unless the context otherwise requires, all financial data in this 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 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 50. Accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP, included in this 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 Placement Document should accordingly be limited.

In this 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 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 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.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this 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 Placement Document that are not historical facts. These forward-looking statements contained in this 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 13, 106, 120 and 66, respectively.

The forward-looking statements contained in this 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 Placement Document or the respective dates indicated in this Placement Document, and neither the Bank nor the BRLMs undertakes 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. All the Directors and key managerial personnel of the Bank named herein are residents of India 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. 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 has 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 would 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.

(₹ Per US$)

	Period end	Average(1)	High(2)	Low(3)
Fiscal Year:				
2012	51.16	47.95	54.24	43.95
2013	54.39	54.45	57.22	50.56
2014	60.10	60.50	68.36	53.74
Quarter ended:				
June 30, 2014	60.09	59.77	61.12	58.43
September 30, 2014	61.61	60.59	61.61	59.72
December 31, 2014	63.33	62.00	63.75	61.04
Month ended:				
August 31, 2014	60.47	60.90	61.56	60.43
September 30, 2014	61.61	60.86	61.61	60.26
October 31,2014	61.41	61.34	61.75	61.04
November 30, 2014	61.97	61.70	62.10	61.39
December 31, 2014	63.33	62.75	63.75	61.85
January 31, 2015	61.76	62.23	63.45	61.41

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)

DEFINITIONS AND ABBREVIATIONS

This 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	Deloitte Haskins and Sells, 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
Memorandum or Memorandum of Association	Memorandum of association of the Bank, as amended from time to time
Registered 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
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 Regulations
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 the shareholders of the Bank pursuant to the resolution dated June 25, 2014.
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	February 5, 2015, which is the last date up to which the Application Forms shall be accepted
Bid/Issue Opening Date	February 4, 2015
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 the Preliminary Placement Document and the Application Form
Book Running Lead Managers	Book running lead managers to the Issue, namely Barclays Bank PLC, Goldman Sachs (India) Securities Private Limited, Nomura Financial Advisory and Securities (India) Private Limited and UBS Securities India

Term	Description
	Private Limited
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 February 10, 2015
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 Book Running 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 Regulations which are not, (a) excluded pursuant to regulation 86 of the SEBI Regulations, (b) registered FPIs, FIIs, FVCIs, bilateral and multilateral financial institutions or any other QIB that is a Non-Resident or (c) 'owned' or 'controlled' by Non-Residents/ persons resident outside India, as defined under FEMA, except as specifically set forth in this Placement Document
Escrow Agent	HDFC Bank Limited
Escrow Account	The account entitled "HDFC Bank Ltd.-Escrow A/c- QIP 2015" 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 February 4, 2015, 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 ₹ 1,061.84 which has been calculated in accordance with Chapter VIII of the SEBI Regulations. In terms of the SEBI 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 Regulations
Global Coordinators and Book Running Lead Managers	Global Coordinators and Book Running Lead Mangers to the Issue, namely, DSP Merrill Lynch Limited, Credit Suisse Securities (India) Private Limited, JM Financial Institutional Securities Limited, J.P. Morgan India Private Limited and Morgan Stanley India Company Private Limited
Issue	The offer, issue and Allotment of 18,744,142 Equity Shares to Eligible QIBs pursuant to Chapter VIII of the SEBI Regulations and the provisions of the Companies Act, 2013
Issue Price	₹ 1,067 per Equity Share
Issue Size	The issue of 18,744,142 Equity Shares aggregating approximately ₹ 20,000 million
Lead Managers	Collectively, the Global Coordinators and Book Running Lead Managers and Book Running Lead Managers
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 February 4, 2015 entered into amongst the Bank and the Lead Managers
Placement Document	This placement document dated February 5, 2015 issued by the Bank in accordance with Chapter VIII of the SEBI Regulations and Section 42 of the Companies Act, 2013
Preliminary Placement Document	The preliminary placement document dated February 4, 2015 issued in

Term	Description
	accordance with Chapter VIII of the SEBI Regulations and Section 42 of the Companies Act, 2013
QIBs or Qualified Institutional Buyers	Qualified institutional buyers as defined under Regulation 2(1)(zd) of the SEBI Regulations or such other persons as maybe permitted by applicable laws to acquire the Equity Shares to be issued pursuant to the Issue
QIP	Qualified institutions placement under Chapter VIII of the SEBI Regulations
Relevant Date	February 4, 2015, 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 of 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
Banking Regulation Act	The Banking Regulation Act, 1949, 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 as per notification issued by the RBI on March 27, 2014
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

Term	Description
	solvent. It is comprised of 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
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 Circular dated April 21, 2011)
PM	Process management
PSL	Priority sector loan
RBI Basel III Capital Regulations	The Guidelines on Implementation of Basel III Capital Regulations in India

Term	Description
	issued by RBI on May 2, 2012
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
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

Term	Description
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)
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
Eligible FPIs	FPIs that are eligible to participate in this Issue and do not include qualified foreign investors and Category III Foreign Portfolio Investors who are not allowed to participate in the Issue
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. 1 of 2014, effective from April 17, 2014, 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, 2000, 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	Period of 12 months ended March 31 of that particular year, unless otherwise stated
FIPB	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 Companies (Prospectus and Allotment of Securities) Rules, 2014
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

Term	Description
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
HLAC	High Level Advisory Committee of the RBI
HNIs	High net worth individuals
HR	Human resources
HUF	Hindu undivided family
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 converged with IFRS, as per the roadmap issued by the Ministry of Corporate Affairs, Government of India
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
New Banks Licencing Guidelines	Guidelines for Licensing of New Banks in the Private Sector issued by RBI on February 22, 2013
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	The National Stock Exchange of India Limited
OFAC	Office of Foreign Assets Control of the U.S. Treasury Department
PAN	Permanent account number
PDAI	Primary Dealers Association of India
PFRDA	Pension Fund Regulatory and Development Authority
PLM Act	Prevention of Money Laundering Act, 2002, as amended
PMLA	The Prevention of Money Laundering Act, 2002
Prudential Norms	Prudential norms on income recognition, asset classification and provisioning pertaining to advances issued by the RBI on July 1, 2014
PTC	Pass through certificate

Term	Description
RBI	Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934, as amended
Regulation S	Regulation S under the Securities Act
RoC	Registrar of Companies
Rs./Rupees/INR/₹	Indian Rupees
Rule 144A	Rule 144A under the Securities Act
RWA	Risk weighted assets
S&P	Standard & Poor’s Rating Services
SBI	State Bank of India
SCBs	Scheduled commercial banks
SCR (SECC) Rules	Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012, notified by the SEBI
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, amended
SEBI Insider Trading Regulations, 1992	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended
SEBI Insider Trading Regulations, 2015	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015
SEBI Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, 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 the BSE representing a sample of large and liquid listed companies
SEZ	Special economic zone
SICA	The Sick Industrial Companies Act, 1985, as amended
Stock Exchanges	The BSE and the 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
U.S. $/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 Placement Document where these disclosures, to the extent applicable, have been provided.

Sr. No.	Disclosure Requirements	Relevant Page of this Placement Document
1.	**GENERAL INFORMATION**	
a.	Name, address, website and other contact details of the company indicating both registered office and corporate office.	227
b.	Date of incorporation of the company.	Cover page and 225
c.	Business carried on by the company and its subsidiaries with the details of branches or units, if any.	120
d.	Brief particulars of the management of the company.	166
e.	Names, addresses, DIN and occupations of the directors.	166
f.	Management's perception of risk factors.	37
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.	589
2.	**PARTICULARS OF THE OFFER**	
a.	Date of passing of board resolution.	30
b.	Date of passing of resolution in the general meeting, authorising the offer of securities.	30
c.	Kinds of securities offered (i.e. whether share or debenture) and class of security.	30
d.	Price at which the security is being offered including the premium, if any, along with justification of the price.	30
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.	30
g.	Terms of raising of securities:	
(i)	Duration, if applicable;	Not applicable

Sr. No.	Disclosure Requirements	Relevant Page of this Placement Document
(ii)	Rate of dividend;	Not applicable
(iii)	Rate of interest;	Not applicable
(iv)	Mode of payment; and	Not applicable
(v)	Repayment.	Not applicable
h.	Proposed time schedule for which the offer letter is valid.	30
i.	Purposes and objects of the offer.	60
j.	Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects.	60
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.	171
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.	223
c.	Remuneration of directors (during the current year and last three financial years).	173
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.	179
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.	Not Applicable
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.	223
4.	**FINANCIAL POSITION OF THE COMPANY**	

Sr. No.	Disclosure Requirements	Relevant Page of this 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);	62
(b)	Size of the present offer; and	62
(c)	Paid up capital:	62
(A)	After the offer; and	62
(B)	After conversion of convertible instruments (if applicable);	62
(d)	Share premium account (before and after the offer).	62
(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.	62
	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.	228
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).	65
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.	35
e.	Audited Cash Flow Statement for the three years immediately preceding the date of circulation of offer letter.	35
f.	Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company.	68
5.	**A DECLARATION BY THE DIRECTORS THAT**	588
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 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	

Sr. No.	Disclosure Requirements	Relevant Page of this Placement Document
	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. Our goal is to be the preferred provider of financial services to upper and middle income individuals and corporations 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 is high quality service, advanced technology platforms and superior execution. We have three principal business activities: retail banking, wholesale banking and treasury operations.

We have grown rapidly since commencing operations in January 1995. As of September 30, 2014, we had 3,600 branches, 11,515 ATMs in 2,272 cities and towns and 30.6 million customers. On account of the expansion in our geographical reach and the resultant increase in market penetration, our assets have grown from ₹ 3,379.1 billion as of March 31, 2012 to ₹ 4,916.0 billion as of March 31, 2014. Our assets as of September 30, 2014 were ₹ 5,099.6 billion. Our net profit has increased from ₹ 51.7 billion for fiscal 2012 to ₹ 84.8 billion for fiscal 2014. Our net profit for the first six months of fiscal 2015 was ₹ 46.1 billion.

Notwithstanding our pace of growth, we believe we have maintained a strong balance sheet and a low cost of funds. As of September 30, 2014, net non-performing assets (NPAs) constituted 0.3% of net advances. In addition, our net advances represented 83.8% of our deposits and our deposits represented 76.6% of our total liabilities and shareholders' equity. The non-interest bearing current accounts and low-interest bearing savings accounts represented 43.2% of total deposits as of September 30, 2014. These low-cost deposits and the cash float associated with our transactional services, led to an average cost of funds (including equity) of 5.1% for the first six months of fiscal 2015.

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 other insurance. HDFC Limited and its subsidiaries owned 22.5% of our outstanding equity shares as of September 30, 2014. Our Chairperson and Managing Director are nominated by HDFC Limited and appointed with the approval of our shareholders and the Reserve Bank of India (RBI). In addition, two members of our Board of Directors, Mr. Keki Mistry and Mrs. Renu Karnad, are the Vice Chairman and Chief Executive Officer of HDFC Limited and Managing Director of HDFC Limited, respectively, and have been appointed independent of HDFC Limited's entitlement to nominate two directors. See also the section "Principal Shareholders" on page 180. We have no agreements with HDFC Limited or any of its group companies that restrict us from competing with them or restricting 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 have two subsidiaries as per local laws: HDFC Securities Limited (HSL) and HDB Financial Services Limited (HDBFSL). 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, 2014 were ₹ 8.6 billion and ₹ 4.4 billion, respectively. HSL's net profit was ₹ 0.8 billion for fiscal 2014. HDBFSL is a non-deposit taking non-bank finance company (NBFC) engaged primarily in the business of retail asset financing. The customer segments catered to by HDBFSL are typically underserviced by larger commercial banks and this, we believe, creates a profitable niche for HDBFSL. HDBFSL also grants loans to micro, small and medium business enterprises and operates call centers for providing collection services to our retail loan products. HDBFSL's loans, total assets and shareholders' equity as of March 31, 2014 were ₹ 134.1 billion, ₹ 136.9 billion and ₹ 16.3 billion, respectively. HDBFSL's net profit amounted to ₹ 2.1 billion for fiscal 2014. Our principal corporate and registered office is located at HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India.

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

We believe our HDFC Bank brand is one of the strongest brands in the Indian banking industry and was, in August 2014, acknowledged as the most valuable brand in India in the inaugural edition of the BrandZ Top 50 Most Valuable Indian Brands study. The study was conducted by WPP research agency Millward Brown, which specializes in brand equity research and brand valuation. We have capitalized 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 September 30, 2014, we had 3,600 branches and 11,515 ATMs in 2,272 cities and towns and 30.6 million customers as compared to 2,544 branches and 8,913 ATMs in 1,399 cities and towns and 25.9 million customers as of March 31, 2012. 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 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. This includes the services that we can provide to our customers, both directly and indirectly through back-office operational execution, and the range of products we offer. We consider our high quality service to be a vital component of our business and believe in pursuing excellence in execution through multiple internal initiatives focused on continuous executional improvements. 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 range from retail loans to deposit products and other products and services, such as private banking, depositary accounts, 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 offer our customers brokerage accounts through our subsidiary HSL. On the wholesale banking side we offer customers working capital loans, term loans, bill collections, letters of credit and guarantees and foreign exchange and derivative products. We also offer a range of deposit and transaction banking services such as cash management, custodial and clearing bank services and correspondent banking. We collect taxes for the government and are bankers to companies in respect of issuances of equity shares and bonds to the public. We are able to provide this wide-range of products across our branch network, meaning we can provide our targeted rural customers banking products and services similar to those provided to our urban customers, which we believe provides us a competitive advantage. Our wide range of products and focus on superior service and execution also creates multiple cross-selling opportunities for us and, we believe, improves our customer retention rates.

We have achieved robust and consistent financial performance while preserving asset quality during our growth

On account of our superior operational execution, broad range of products, expansion in our geographical reach and the resultant increase in market penetration through our extensive branch network, our assets have grown from ₹ 3,379.1 billion as of March 31, 2012 to ₹ 4,916.0 billion as of March 31, 2014 (₹ 5,099.6 billion as of September 30, 2014). Our net profit has increased from ₹ 51.7 billion for fiscal 2012 to ₹ 84.8 billion for fiscal 2014 (₹ 46.1 billion for the six months ended September 30, 2014). In addition to the significant growth in our assets and net profit, we have remained focused on maintaining a high level of asset quality, with our gross NPAs as a percentage of gross advances remaining stable at 1.0% from fiscal 2012 through fiscal 2014 (1.0% as of September 30, 2014) and our net NPAs as a percentage of net advances increasing slightly from 0.2% in fiscal 2012 to 0.3% in fiscal 2014 (0.3% as of September 30, 2014). Our net interest margin was 4.4% in fiscal 2012 and 4.4% in fiscal 2014 (4.4% for the six months ended September 30, 2014), return on equity was 18.4% in fiscal 2012 and 20.9% in fiscal 2014 (20.0% for the six months ended September 30, 2014) and return on assets was 1.8% in fiscal 2012 and 2.0% in fiscal 2014 (1.9% for the six months ended September 30, 2014). Our current and savings account deposits as a percentage of our total deposits were 44.8% as of March 31, 2014.

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. Our direct banking platforms are stable and robust, enabling new ways to connect with our customers to cross-sell our various products and improve customer retention and supporting ever-increasing transaction volumes as customers adopt newer self-service technologies.

We successfully completed an upgrade of our retail core banking system to the latest technology platform during fiscal 2014, which enables us to provide additional features to our customers and respond faster to business and market needs. We have also developed robust data analytics capabilities that allow us to market and cross-sell our products to customers through both traditional relationship management and interactive, on-demand methods depending on how particular customers choose to interact with us. We have also implemented state-of-the-art engineered systems technology for some of the important backend operational systems, including recently doubling the capacity of our operational customer relationship management system.

We have an experienced management team

Many of the members of our management team 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 “Board of Directors and Senior 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.

Increase our geographical reach

As of September 30, 2014, we had 3,600 branches, 11,515 ATMs in 2,272 cities and towns which represents an increase of 1,056 branches, 2,602 ATMs and our presence in 873 cities and towns since March 31, 2012. We believe we can continue expanding our branch footprint, particularly by focusing on rural and semi-urban areas. 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.

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.

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. While we currently provide a range of options for customers to access their accounts, including net 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.

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 ratio of gross NPAs to gross advances was 1.0% as of September

30, 2014 and our net NPAs amounted to 0.3% of net advances. In addition, we have restructured the payment terms of certain loans. As of September 30, 2014, these represented 0.1% of our gross advances. 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 average cost of funds (including equity) was at 5.1% for the six month periods ended September 30, 2014 and September 30, 2013. Our current and savings account deposits were 43% of our total deposits as of September 30, 2014.

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 Placement Document, including the section "Risk Factors", "Use of Proceeds", "Placement", "Issue Procedure" and "Description of the Equity Shares" on pages 37, 60, 192, 182 and 207, respectively.

Issuer	HDFC Bank Limited
Issue Price	₹ 1,067 per Equity Share
Floor Price	₹ 1,061.84 per Equity Share. In terms of the SEBI 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 Regulations
Issue Size	18,744,142 Equity Shares, aggregating to ₹ 20,000 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. If no Mutual Fund is agreeable to take up the minimum portion mentioned above, such minimum portion or part thereof may be Allotted to other Eligible QIBs.
Date of Board Resolution	May 19, 2014
Date of Shareholders' Resolution	June 25, 2014
Eligible Investors	QIBs as defined in regulation 2(1)(zd) of the SEBI Regulations and not excluded pursuant to Regulation 86 of the SEBI Regulations which are not, (a) excluded pursuant to regulation 86 of the SEBI Regulations, (b) registered FPIs, FIIs, FVCIs, bilateral and multilateral financial institutions or any other QIB that is not an entity deemed to be a person resident in India under the Foreign Exchange Management Act, 1999 or (c) 'owned' or 'controlled' by Non-Residents/ persons resident outside India, as defined under FEMA, except as specifically set forth in this Placement Document, are eligible to invest in this Issue. See the section "Issue Procedure – Eligible QIBs" on page 185.
ADR Offering	As approved by the shareholders of the Bank pursuant to the resolution dated June 25, 2014, 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)	2,418,781,125 Equity Shares
Equity Shares issued and outstanding immediately after the Issue (including Equity Shares to be issued in the ADR Offering)	2,503,525,267 Equity Shares
Listing	The Bank has obtained in-principle approvals in terms of Clause

	24(a) of the Listing Agreements, 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.
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 issue and allot (a) Equity Shares, ADRs or American Depository Shares in relation to the ADS Offering and / or (b) 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 the Preliminary Placement Document and this Placement Document, as the case may be. Each of HDFC Limited, HDFC Investments Limited and HDFC Holdings Limited have agreed not to: (a) directly or indirectly, issue, offer, lend, sell, contract to sell or issue, sell any option or contract to sell, grant any option, or otherwise transfer or dispose of any Equity Shares held by them or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing, (b) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of the Equity Shares held by them or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention to enter into any such transaction, whether any such swap or transaction described in clause (a) or (b) hereof is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise, or (c) deposit Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or which carry the right to subscribe for or purchase Equity Shares in depositary receipt facilities or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or a deposit of Equity Shares in any depositary receipt facility, or publicly announce any intention to enter into any such transaction.
Transferability Restrictions	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 202.
Use of Proceeds	The gross proceeds from the Issue will be ₹ 20,000 million. The net proceeds from the Issue, after deducting fees and commissions for the Issue, will be ₹ 19,850 million. See the section "Use of Proceeds" on page 60 for information regarding the use of net proceeds from the Issue.
Risk Factors	See the section "Risk Factors" on page 37 for a discussion of risks you should consider before investing in the Equity Shares.
Pay-In Date	Last date specified in the CAN sent to the Eligible QIBs for payment of application money.
Closing	The Allotment of the Equity Shares, expected to be made on or about February 10, 2015.
Ranking	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 Listing Agreements 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 65 and 207, respectively.
Security Codes for the Equity Shares	ISIN: INE040A01026 BSE Code: 500180 NSE Code: HDFCBANK

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, 2012, 2013 and 2014 and six month periods ended September 30, 2014 and 2013 and the selected balance sheet data as of March 31, 2013 and 2014 and September 30, 2014 are derived from our audited unconsolidated financial statements included in this Placement Document together with the report of our statutory auditors.

While we prepare consolidated financial statements and unconsolidated financial statements for each fiscal year, we only prepare unconsolidated financial statements for interim periods. In order to allow for comparison of our information for fiscal years ended March 31, 2012, 2013 and 2014 with our information for the six month periods ended September 30, 2013 and 2014, we have presented the unconsolidated information below, reformatted from its original presentation. We have extracted the reformatted financial statements from our audited unconsolidated annual financial statements for the years ended March 31, 2012, March 31, 2013 and March 31, 2014, and the unconsolidated condensed audited interim financial statements for the six month periods ended September 30, 2013 and September 30, 2014. The reformatted financial statements have been presented as they were produced in the respective years' audited financial statements 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 years' 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, 2012, 2013 and 2014 are presented in the section "Financial Statements" on page 228 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." Whenever relevant, ratios for the six month periods are presented on an annualised basis. 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 = ₹ 61.6135 on September 30, 2014.

Selected profit and loss statement information:

	Year ended March 31,		
	2012	**2013**	**2014**
	(₹ in Million, except per equity share data)		
Interest income	278,741.9	350,648.7	411,355.3
Other income	57,836.3	68,526.2	79,196.4
Total Income	**336,578.2**	**419,174.9**	**490,551.7**
Interest expended	149,895.8	192,537.5	226,529.0
Operating expenses	92,776.4	112,361.2	120,422.0
Provisions and contingencies	42,235.1	47,013.4	58,817.0
Total Expenditure	**284,907.3**	**351,912.1**	**405,768.0**
Net profit for the year	**51,670.9**	**67,262.8**	**84,783.7**
Balance in Profit and Loss account brought forward	61,742.4	83,996.4	111,321.8
Total	**113,413.3**	**151,259.2**	**196,105.5**
Appropriations			
Transfer to/(from)			

	Year ended March 31, 2012	2013	2014
	(₹ in Million, except per equity share data)		
(a) Statutory reserve	12,917.7	16,815.7	21,195.9
(b) Proposed dividend	10,090.8	13,090.8	16,433.5
(c) Tax (including cess) on dividend	1,637.0	2,224.8	2,792.9
(d) Dividend (including tax/cess thereon) pertaining to previous year paid during the year	21.2	44.7	48.5
(e) General reserve	5,167.1	6,726.3	8,478.4
(f) Capital Reserve	—	858.5	582.7
(g) Investment reserve	(416.9)	176.6	32.2
Balance carried over to balance sheet	83,996.4	111,321.8	146,541.4
Total	**113,413.3**	**151,259.2**	**196,105.5**
Earnings per equity share (Face value ₹ 2 per share)			
	₹	₹.	₹.
Basic	22.11	28.49	35.47
Diluted	21.91	28.18	35.21

	Six month period ended September 30, 2013	2014	2014
	(₹ in Million, except per equity share data)		(US$ in Million, except per equity share data)
Interest income	197,563.0	230,677.1	3,743.9
Other income	37,699.5	38,976.7	632.6
Total Income	**235,262.5**	**269,653.8**	**4,376.5**
Interest expended	108,610.7	123,851.1	2,010.1
Operating expenses	59,724.0	66,763.1	1,083.6
Provisions and contingencies	28,666.0	32,894.6	533.9
Total Expenditure	**197,000.7**	**223,508.8**	**3,627.6**
Net profit for the period	**38,261.8**	**46,145.0**	**748.9**
Earnings per equity share (Face value ₹ 2 per share)			
Basic	₹ 16.03	₹ 19.17	US$ 0.31
Diluted	15.91	18.99	0.31

Selected balance sheet information:

	As of March 31,			As of September 30,		
	2012	**2013**	**2014**	**2013**	**2014**	**2014**
			(₹ in Million)			**(US$ in Million)**
Capital and liabilities						
Capital	4,693.4	4,758.8	4,798.1	4,782.5	4,828.6	78.4
Reserves and surplus	294,550.4	357,382.6	429,988.4	400,069.2	482,319.4	7,828.1
Employees' stock options (grants) outstanding	3.0	-	-	-	-	-
Deposits	2,467,064.5	2,962,469.8	3,673,374.8	3,130,111.4	3,906,817.5	63,408.5
Borrowings	238,465.1	330,066.0	394,390.0	393,398.6	385,404.2	6,255.2
Other liabilities and provisions	374,318.6	348,641.8	413,443.9	383,306.0	320,240.9	5,197.5
Total	**3,379,095.0**	**4,003,319.0**	**4,915,995.2**	**4,311,667.7**	**5,099,610.6**	**82,767.7**
Assets						
Cash and balances with Reserve Bank of India	149,910.9	146,274.0	253,456.3	199,444.0	203,726.6	3,306.5
Balances with banks and money at call and short notice	59,466.3	126,527.7	142,380.1	80,863.1	112,784.8	1,830.5
Investments	974,829.1	1,116,136.0	1,209,510.7	1,018,500.0	1,295,586.4	21,027.6
Advances	1,954,200.3	2,397,206.4	3,030,002.8	2,686,169.9	3,272,727.9	53,117.1
Fixed assets	23,472.0	27,030.8	29,399.2	29,486.5	29,051.0	471.5
Other assets	217,216.4	190,144.1	251,246.1	297,204.2	185,733.9	3,014.5
Total	**3,379,095.0**	**4,003,319.0**	**4,915,995.2**	**4,311,667.7**	**5,099,610.6**	**82,767.7**
Contingent liabilities	8,652,928.3	7,201,224.3	7,231,549.1	7,491,409.1	9,283,724.2	150,676.8
Bills for collection	186,925.0	261,039.6	209,430.6	264,548.2	217,088.3	3,523.4

Selected cashflow statement information:

	Year ended March 31,		
	2012	**2013**	**2014**
		(₹ in Million)	
Cash flow generated from / (used in) operating activities	(170,954.5)	(18,687.9)	83,636.0
Cash flow generated used in investing activities	(6,868.5)	(8,588.8)	(15,912.6)
Cash flow from financing activities	90,260.3	90,658.4	55,629.8
Effect of exchange fluctuation on translation reserve	251.7	42.7	(318.5)
Cash and cash equivalents at the beginning of the year	296,688.3	209,377.3	272,801.7
Cash and cash equivalents at the end of the year	209,377.3	272,801.7	395,836.4

Note:

The Bank has shown the cash inflow on account of borrowings as a part of cash flow from financing activities in its audited unconsolidated financial statements for fiscals 2013 and 2014. In the audited unconsolidated financial statements for fiscal 2012, the cash inflow on account of borrowings was shown as a part of cash flow from operating activities. In order to present the audited unconsolidated financial statements for the fiscals 2012, 2013 and 2014 in a comparable format, the Bank has reclassified the cash flow statement for fiscal 2012 and consequently the cash flow from financing activities will be higher by ₹ 57,398.5 million for fiscal 2012 and the cash flow from operating activities will be lower by a corresponding amount for fiscal 2012 from the audited unconsolidated financial statements for the period.

Selected ratios:

	Year ended March 31,			Six month period ended September, 30	
	2012	2013	2014	2013	2014
			(in percentage)		
Profitability:					
Net profit as a percentage of:					
Average total assets[(1)]	1.8%	1.9%	2.0%	1.9%	1.9%
Average total shareholders' equity[(1)]	18.4%	20.1%	20.9%	19.9%	20.0%
Dividend payout ratio[(2)]	22.7%	22.8%	22.7%	—	—
Spread[(3)]	4.4%	4.3%	4.2%	4.3%	4.2%
Net interest margin[(4)]	4.4%	4.5%	4.4%	4.4%	4.4%
Cost-to-net revenue ratio[(5)]	49.7%	49.6%	45.6%	47.2%	45.8%
Cost-to-average assets ratio[(6)]	3.2%	3.2%	2.8%	3.0%	2.8%
Average total shareholders' equity as a percentage of average total assets	9.6%	9.5%	9.6%	9.6%	9.6%

	At March 31,			At September, 30
	2012	2013	2014	2014
			(in percentage)	
Capital:				
Total capital adequacy ratio[(7)]	16.5 %	16.8%	16.1%	15.7%
Tier 1 capital adequacy ratio[(7)]	11.6 %	11.1 %	11.8 %	11.8%
Tier 2 capital adequacy ratio[(7)]	4.9%	5.7%	4.3 %	3.9 %
Asset quality:				
Gross non-performing assets as a percentage of gross advances	1.0%	1.0%	1.0%	1.0%
Net non-performing assets as a percentage of net advances	0.2%	0.2%	0.3%	0.3%
Total specific provisions for NPAs as a percentage of gross non-performing assets	82.4 %	79.9 %	72.6 %	72.7%

1. Ratios for the half-years presented have been disclosed on an annualised basis
2. Represents the ratio of total dividends payable on equity shares relating to each fiscal year, including the dividend distribution tax, as a percentage of net profit of that year. Dividends declared each year are typically paid in the following fiscal year. See "Dividend Policy."
3. 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.
4. Represents the ratio of net interest income to average total assets.
5. Represents the ratio of operating expenses to the sum of net interest income and other income.
6. Represents the ratio of operating expenses to average total assets.
7. Total, Tier I and Tier II capital adequacy ratios for fiscals 2012 and 2013 have been calculated in accordance with RBI guidelines (New Capital Adequacy Framework, generally referred to as Basel II) and capital adequacy ratios for fiscal 2014 and half-year ended September 30, 2014 have been calculated in accordance with RBI guidelines (Basel III Capital Regulations, generally referred to as Basel III) and therefore are not directly comparable. Also see "Supervision and Regulation" on page 141.

RISK FACTORS

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 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 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 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 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 necessarily dependent on the health of the overall Indian economy, which in turn is linked to global economic conditions. The global slowdown of the financial market and economies had contributed to weakness in the Indian financial and economic environment. Global growth is likely to remain below trend level due to subdued growth in the Eurozone and the effect of weakened Chinese growth prospects on emerging markets. We remain concerned that below-trend global growth may adversely affect the growth prospects of the Indian economy. These conditions, including global financial crisis, could result in a prolonged slowdown in the Indian economy, which would adversely affect our business, including our ability to grow our asset portfolio, the quality of our assets and our ability to implement our strategy. In particular, 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. In addition, the Indian economy is in a state of transition. The share of the services sector of the economy is rising, while that of the industrial, manufacturing and agricultural sectors is declining. Finally, India faces major challenges in sustaining its growth, which include the need for substantial infrastructure development and improving access to healthcare and education. In this regard, addressing the structural bottlenecks that have limited the economy from fiscal 2012 to fiscal 2014 will remain a vital aspect of ongoing policy reforms. 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. The growth rate of our advances has been significantly higher than that of the Indian banking industry over the last three fiscal years. Our total advances in the three-year period ended March 31, 2014 grew at a compounded annual growth rate of approximately 24%, as against approximately 19% for the Indian banking industry for the same period. Our total advances as of September 30, 2014 compared to that as of September 30, 2013 increased by 22%.

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.

The growth in our business is partly attributable to the expansion of our branch network. As at March 31, 2012, we had a branch network comprised of 2,544 branches, which increased to 3,600 as at September 30, 2014. Section 23 of the Banking Regulation Act provides that banks must obtain the prior approval of the RBI to open new branches. 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 and rationalizing the branch licensing process, the RBI, effective October 2013, granted general permission to banks such as us to open branches in Tier 1 to Tier 6 centers, subject to reporting to the RBI and certain specified conditions. If we are unable to perform in a manner satisfactory to the RBI in any of the above areas, it may have an impact on the number of branches we will be able to open and would in turn have an impact on our future growth.

If we fail to properly manage our rapid growth, our operations would suffer and our performance as a whole 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 2014, net interest income represented 70.0% of our net revenue (net interest income plus other income). For the six months to September 30, 2014, net interest income represented 73.3% of our net revenue. 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 credit substitutes 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.

Interest rates have largely stabilized since the start of calendar year 2014 as India's external vulnerability has subsided, inflation pressures have moderated and the domestic liquidity position has improved considerably. 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 yield on the government's 10 year benchmark bond has been volatile over the past year and ranged from 7.2% to 9.2% during the course of fiscal 2014 while it has ranged from a high of 9.1% to a low of 8.4% over the first half of fiscal 2015. The yield on the benchmark was at 8.6%, 8.0% and 8.8% as of March 31, 2012, 2013 and 2014 respectively. As of September 30, 2014, the yield on the benchmark was at 8.5%. The market focus has shifted to the outcome of the general elections that resulted in the formation of a stable government, which has also contributed to the softness in domestic interest rates. However, the sharp fall in inflation rates over the last few months has emerged as the main catalyst behind the recent softness in bond yields as investors believe that recent developments could prompt the RBI to reverse its monetary stance. CPI inflation has fallen from levels of 8.0% in July 2014 to 6.6% in September 2014. However, uncertainty remains on the fiscal front as tax revenue targets set by the government seem overly optimistic and there is dependence on the disinvestment program for the government to meet its fiscal deficit to GDP target of 4.1% of GDP in fiscal 2015. Given that global sovereign yields have softened considerably over 2014 responding to disinflation pressures from falling global commodity prices, the pressure on domestic interest rates has subsided. Nevertheless, risks to domestic policy rates may emerge if the U.S. Federal Reserve Bank decides to increase policy rates, a development that is currently expected to take place sometime in mid-2015. If global interest rates increase in response to tighter US monetary policy, it could have a flow-on effect on domestic rates and, accordingly, domestic rates may increase further. In addition, interest rates can move up and accordingly we may change our interest rates. Any volatility in interest rates could also adversely affect our net profits.

If the level of non-performing assets in our portfolio increases, we will be required to increase our provisions,

which would negatively impact our profits.

Our gross non-performing assets (NPAs) represented 1.0% of our gross loans as of September 30, 2014. Our NPAs net of specific provisions represented 0.3% of our net loan portfolio as of September 30, 2014. We have restructured the payment terms of certain loans, which, as of September 30, 2014, represented 0.1% of our gross loans. Our management of credit risk involves having appropriate credit policies, underwriting standards, approval processes, loan portfolio monitoring, remedial management and 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 September 30, 2014, 77% 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.

Provisions are created by a charge to expense, and represent our estimate for loan losses and risks inherent in the credit portfolio. 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 NPAs or any further deterioration in our NPA portfolio. 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. These factors coupled with other factors such as volatility in commodity markets and 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 be 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 jeopardized.

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 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 September 30, 2014, our largest single customer exposure was ₹ 111.8 billion, representing 20.1% of our capital funds, and our ten largest customer exposures totaled ₹ 508.6 billion, representing 91.6% 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 September 30, 2014. 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 jeopardized. As of September 30, 2014, our largest industry concentrations, based on RBI guidelines, were as follows: banks and financial institutions (7.2%), wholesale trade (6.5%), NBFC/financial intermediaries (5.3%) and automobile and auto ancillary (4.0%). In addition, as of September 30, 2014, 33.1% of the concentration of our exposures was retail (except where otherwise included in the above classification). 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 September 30, 2014, our total NPAs were concentrated in the following industries: land transport (6.7%), iron and steel (6.2%), NBFC/financial intermediaries (4.5%), engineering (3.8%) and wholesale trade (3.1%).

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 categorized as priority sectors. 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 of the previous fiscal year. Of the total priority sector advances, agricultural advances are required to be 18.0% of ANBC or CEOBE, whichever is higher, and of this, indirect lending in excess of 4.5% of ANBC or CEOBE, whichever is higher, is not taken into consideration for computing achievement of the 18.0% target. However, all agricultural loans under the categories 'direct' and 'indirect' are taken into consideration for computing achievement of the overall priority sector target of 40.0%. Advances to sections termed "weaker" by the RBI are required to be 10.0% of ANBC or CEOBE, whichever is higher. The balance of the priority sector lending requirement can be met by lending directly or indirectly to a range of sectors, including small businesses and residential mortgages satisfying certain criteria.

We met our overall priority sector lending target of 40% and our total priority sector lending achievement for fiscal 2014 stood at 46.06%. However, we have not been able to meet the lending targets of certain sub-targets of the priority sector lending scheme and may not be able to meet the overall priority sector lending target or certain sub-targets in the future. For example, in fiscal 2014, agricultural loans made under the 'direct' category were 12.2% of ANBC, against the requirement of 13.5%, with a shortfall of ₹ 29.03 billion, and advances to sections termed "weaker" by the RBI were 6.25% against the requirement of 10.0%, with a shortfall of ₹ 83.97 billion. 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.

In the case of non-achievement of priority sector lending targets, including sub-targets, we are required to invest in deposits of Indian development banks, such as the National Bank of Agriculture and Rural Development, National Housing Bank and the Small Industries Development Bank of India, as may be directed by the RBI. The amount to be deposited, interest rates on such deposits and periods of deposits, and other terms, are determined 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. As of March 31, 2014, our total investments as directed by the RBI in such deposits were ₹ 151.19 billion, yielding returns ranging from 3% to 8.25%. Additionally, as per RBI guidelines, non-achievement of priority sector lending target and sub-targets will be taken into account by the RBI when granting regulatory clearances/approvals for various purposes.

We may experience a higher level of NPAs in our directed 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 directed lending sector as a percentage to gross loans were 0.3% as of September 30, 2014 (as compared to 0.4% as of March 31, 2014 and March 31, 2013). 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 directed lending 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 priority sector lending 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 September 30, 2014, 77% 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 Indian 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 specialized 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. If we are unable to foreclose on our collateral or realize adequate value, our losses will increase and our net profits will decline. In addition, if a company becomes a "sick unit" (as defined under Indian law, which provides for a unit to be so categorized based on the extent of its accumulated losses relative to its stockholders' equity), foreclosure and enforceability of collateral is stayed. The RBI has set forth guidelines on Corporate Debt Restructuring (CDR) via the corporate debt restructuring cell. The guidelines envisage that for debt amounts of ₹ 0.1 billion and above, 60% of the creditors by number, in addition to 75% of creditors by value, can decide to restructure the debt and such a decision would be binding on the remaining creditors. In situations where we own 25% or less of the debt of a borrower, we could be forced to agree to an extended restructuring of debt, instead of foreclosure of security or a one-time settlement, which has generally been our practice. During fiscal 2014, the RBI issued guidelines on revitalising distressed assets in the economy. The guidelines envisage formation of a joint lenders' forum (JLF) and the taking of a corrective action plan (CAP) in relation to delinquent accounts where the overdues are between 61 and 90 days and aggregate exposure of all lenders in an account is ₹ 1 billion or above. Such accounts may be restructured under the JLF or CDR mechanisms.

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.

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.

The RBI requires a minimum capital adequacy ratio of 9% of our total risk-weighted assets. We adopted the Basel III capital regulations effective April 1, 2013. Our capital adequacy ratio, calculated in accordance with Indian GAAP, was 16.1% as of March 31, 2014 as per Basel III (as compared to 16.8% and 16.5% as per the Basel II framework as of March 31, 2013 and March 31, 2012, respectively). As of September 30, 2014, our capital adequacy ratio, calculated in accordance with Indian GAAP, was 15.7%. 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 Basel III capital regulations in India and in July 2013, 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) graded enhancement of the total capital requirement; iv) introduction of 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 Common Equity Tier 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 conversion/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. The capital requirement including the capital conservation buffer will be 11.5% (against the current requirement of 9.0%) once these guidelines are fully phased-in. Domestically systemically important banks would be required to maintain CET I capital requirement ranging from 0.2% to 0.8% of risk weighted assets once the RBI publishes final guidelines relating to framework for domestic systemically important banks. Banks will also be required to have an additional capital requirement increasing linearly up to 2.5% of the risk weighted assets once the RBI finalizes the implementation of countercyclical capital buffer requirements. 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, will apply in a phased manner starting with a minimum requirement of 60% from January 1, 2015 and reaching a minimum of 100% on January 1, 2019. These various requirements require us to begin preparing in advance and requirements to increase capital to meet increasing capital adequacy ratios could require us to forego certain business opportunities.

We also believe that the demand for Basel III compliant debt instruments such as Tier II capital eligible securities may be limited in India. There have been very few issuances of such bonds, pending regulatory clarifications. In September 2014, the RBI reviewed 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. Accordingly, certain specific eligibility criteria of such instruments were amended. 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, our business, future financial performance and the price of our equity shares could be adversely affected.

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 owned 22.5% of our equity as of September 30, 2014. So long as HDFC Limited and its subsidiaries hold at least a 20% equity stake in us, HDFC Limited is entitled to nominate two directors, our Chairperson and Managing Director, to our 10 member Board of Directors. These two directors are not required to retire by rotation and their nominations are subject to RBI approval. We have recently received shareholder and regulatory approvals for the appointment of Mrs. Shyamala Gopinath as part-time Non-Executive Chairperson. Mrs. Gopinath has been appointed for three years with effect from January 2, 2015. Two of our other directors, Mr. Keki Mistry and Mrs. Renu Karnad, are the Vice Chairman and Chief Executive Officer and the Managing Director of HDFC Limited, respectively. Mr. Mistry and Mrs. Karnad both also serve on the boards of various other companies and were appointed to our Board of Directors independent of HDFC Limited's entitlement to nominate two 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.

Additionally, Mr. D.M. Sukthankar is the father of our Deputy Managing Director, Mr. Paresh Sukthankar, and serves as an independent director on the board of HDFC Limited. Mr. D.M. Sukthankar has been a member of the board of HDFC Limited since 1989. Mr. Paresh Sukthankar was one of our early employees and also a part of the initial senior management team. He was elevated to the position of Deputy Managing Director with effect from December 2013. Both are associated with the respective companies in their independent professional capacities and we believe that none is in a position to exercise influence over the other.

There have been reports in the Indian media suggesting that we may merge with HDFC Limited. We consider business combination opportunities as they arise. At present, we are not actively considering a business combination with HDFC Limited. 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 encourage financing of infrastructure and affordable housing. Regulatory incentives in the form of an exemption from the reserve requirements and relaxation in priority sector lending norms are stipulated as being restricted to bonds that are used to incrementally finance long-term infrastructure projects and loans for affordable housing. On January 12, 2015, the RBI approved the issuance of long term bonds with a minimum maturity of seven years to fund the purchase of approximately ₹ 40 billion of affordable housing loans from HDFC Limited. Any incremental infrastructure or affordable housing loans acquired from other banks and 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 or the recent guidelines would have on our business, financial condition, growth prospects or what implications 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. The guidelines state that no single entity or group of entities will be permitted to own or control, directly or indirectly, more than 10% of the paid-up capital of a private sector bank without RBI approval. The implementation of such a restriction 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 acknowledgement 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. 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 recently revised SEBI clause 49 which came into effect on October 1, 2014, related party transactions over a certain threshold will require approval of the shareholders. Once the threshold is crossed, the approval of the shareholders is required for all transactions with that party. The related party is unable to vote with regard to the approval of these transactions. If we were to expand our business transactions with HDFC Limited, we could cross the threshold and would then be required to seek shareholder approval for transactions with HDFC Limited in our Annual General Meeting or at other times. If we are unable to obtain the necessary shareholder approvals for transactions with HDFC Limited in either a timely manner or fail to obtain necessary approvals once the threshold is exceeded, 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 from all sources 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 FIPB. Pursuant to a letter dated February 4, 2015, FIPB has approved foreign investment in the Bank up to 74% of its paid up capital. The approval is subject to compounding from the RBI for the change of foreign shareholding since April 2010. If we are subject to any penalties or an unfavourable ruling by the RBI, this could have an adverse effect on our results of operation and financial condition. As of September 30, 2014, foreign investment in the Bank, including the shareholdings of HDFC Limited and its subsidiaries, constituted 73.5% of the paid up capital of the Bank. Following the completion of this Issue and the concurrent ADR offering in the United States, we expect that the amount of foreign investment in our shares will be near the 74.0% limit. These limitations could negatively affect the price of our shares and could limit the ability of investors to trade our shares in the market. These limitations could also negatively affect the Bank's ability to raise additional capital to meet our 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.

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 Directors and members of our senior management. Our future performance is dependent on the continued service of these persons. We have since received shareholder and regulatory approvals for the appointment of Mrs. Shyamala Gopinath as part-time Non-Executive Chairperson on January 2, 2015. Mrs. Gopinath has been appointed for three years with effect from January 2, 2015. See "—HDFC Limited holds a significant percentage of our share capital and can exercise significant influence over board decisions that could directly or indirectly favor the interests of HDFC Limited over our interests." 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 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 periodic review of risk profiling of account holders, non-adherence to KYC rules for walk-in customers (non-customers) including for sale of third party products, sale of gold coins for cash in excess of ₹ 50,000 in certain cases and non-submission of proper information required by the RBI. We paid a penalty of ₹45 million in June 2013. Further, in January 2015, the Financial Intelligence Unit (India) (FIU) has imposed a fine on us of ₹ 2.6 million relating to our failure in detecting and reporting attempted suspicious transactions. As of the date of this Placement Document, we are in the process of filing an appeal against the FIU order as permitted by the order. See "Supervision and Regulation—Special Provisions of the Banking Regulation Act-Penalties." Additionally, during fiscal 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'. We cannot predict the initiation or outcome of any further investigations by other authorities or different investigations by the RBI. The penalty imposed by the RBI has 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.

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 businesses or those that reduce our profits 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 governmental 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 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 much larger than we are. We compete directly with the large public sector banks, which generally have much larger customer asset and deposit bases, larger branch networks and more capital than we do. These banks are becoming more competitive as they improve their customer services and technology. One of the other private sector banks in India is also larger than we are, based on such measurements. In addition, we compete directly with foreign banks, which include some of the largest multinational financial companies in the world. The economies of scale that our larger competitors benefit from make it difficult for us to offer competitive pricing on products and services to retain existing customers and attract new customers so that we can execute our growth strategy successfully. 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. The RBI received approximately 26 applications for new bank licenses including from some of the largest business groups in India. After review of the applications received, the RBI provided in-principle approvals in April 2014 to two of the applicants which are valid for a period of 18 months, during which the new banks will have to be set up. The RBI will grant these new banks a license to commence banking operations after being satisfied that the applicants have complied with the conditions established as part of the "in-principle" approvals.

The RBI has liberalized the licensing regime and intends to issue licenses on an ongoing basis subject to its qualification criteria. In November 2014, the RBI released guidelines for licensing of payment banks and for licensing of small finance banks in the private sector. Further liberalization of the Indian financial sector could lead to a greater presence or new entries of Indian and foreign banks offering a wider range of products and services, which could adversely impact our competitive environment. Due to competitive pressures, we may be unable to successfully execute our growth strategy and offer products and services 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.

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 September 30, 2014, 38% of our loans are expected to mature within the next one year and 47% of our loans are expected to mature between the next one to three years. As of September 30, 2014, 26% of our deposits are expected to mature within the next one year and 45% 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.

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 the bout of interest rate tightening in India was faster than 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 (introduced by the RBI in fiscal 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) since September 2013 to 8.0% in January 2014. The RBI, effective January 15, 2015, reduced the policy repo rate by 25 basis points from 8.0% to 7.75%. 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" on page 158. These requirements result in Indian banks such as ourselves maintaining (as per extant RBI guidelines currently in force) at least 21.5% of our liabilities (computed as per guidelines issued by the RBI) in bonds issued by the Government of India. We are also required to maintain 4% of our liabilities (computed as per guidelines issued by 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.

The development of a well entrenched nationwide inter-bank settlement system would adversely impact our cash float and decrease fees we receive in connection with check collection.

Currently, there is no well entrenched nationwide payment system in India, and checks must generally be returned to the city from which they were written in order to be cleared. Because of mail delivery delays and the variation in city-based inter-bank clearing practices, check collections can be slow and unpredictable. Through our electronically linked branch network, correspondent bank arrangements and centralized processing, we effectively provide a nationwide collection and disbursement system for our corporate clients. We enjoy cash float and earn fees from these services. If any nationwide payment systems are further developed, this could have an adverse effect on the cash float and fees that we have traditionally received from the services we provided.

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, or 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, both on a consolidated and non-consolidated basis. Our capital market exposure as of September 30, 2014 was 23.8% of our net worth on a non-consolidated basis and 23.9% on a consolidated basis. In the future if we fail to meet these regulatory limits, we may face difficulties in obtaining other regulatory approvals necessary to conduct business in the normal course, which would have a material adverse effect on our business and operations.

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 system security and availability is of paramount importance. Our systemic and operational controls may not be adequate to prevent adverse impact from frauds, errors, hacking and system failures. A significant system breakdown or system failure caused due to 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. We have established a geographically remote disaster recovery site to support critical applications, and we believe that we will be able to restore data and resume processing. 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 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.

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 "Business—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 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 such as: a) phishing and trojans—targeting our customers, wherein fraudsters send unsolicited mails to our customers seeking account sensitive information or to infect customer machines to search and attempt exfiltration of account sensitive information; b) hacking—wherein attackers seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services; and c) data theft—wherein cyber criminals may attempt to intrude into our network with the intention of stealing our data or information. Attempted cyber threats fluctuate in frequency but are generally not decreasing in frequency. 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.

We may face increased competition as a result of revised guidelines that relax restrictions on the presence of foreign banks in India and a proposal by the RBI to grant fresh banking licenses for the establishment 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 74% of the paid-up capital is permitted in Indian private sector banks, however, under the Banking Regulation Act, a shareholder cannot exercise voting rights in excess of 10% of the total voting rights. The RBI, on February 28, 2005, released a "Roadmap for Presence of Foreign Banks in India and Guidelines on Ownership and Governance in Private Sector Banks" (the Roadmap).

The Roadmap envisages two phases. During the first phase, between March 2005 and March 2009, foreign banks were permitted to establish their presence in India by way of setting up a wholly-owned banking subsidiary (WOS) or converting their existing branches into a WOS. The WOS must have minimum capital of ₹ 3 billion and ensure sound corporate governance.

Initially, equity participation by banks would be permitted only in the private sector banks that are identified by the RBI for restructuring. On an application made by a foreign bank for acquisition of 5% or more in any private bank, the RBI would consider the standing and reputation of the foreign bank and shall permit such acquisition only if it is satisfied that the investment by such foreign bank is in the long-term interest of all the stakeholders of the investee bank. It was proposed that in the second phase, beginning April 2009, the RBI would allow foreign banks to acquire up to 74% of equity capital in private sector banks in India, and would also enact appropriate amendments to the Banking Regulation Act to provide for voting rights commensurate with economic ownership. However, in light of the global financial turmoil and concerns regarding financial strength of banks around the world, the RBI decided to put on hold the second phase of the Roadmap and leave unchanged its policy on the presence of foreign banks in the country. While announcing its annual policy for fiscal 2010, the RBI said that it would continue with the current policy and procedures governing the presence of foreign banks in India. A review will happen once there is greater clarity regarding stability, recovery of the global financial system, and a shared understanding on the regulatory and supervisory architecture around the world. In January 2011, the RBI released a discussion paper on the presence of foreign banks in India, seeking comments and suggestions. In November 2013, the RBI released its framework for establishing wholly owned subsidiaries of foreign banks in India, which aims to tighten regulatory control and encourage foreign banks to convert their existing branches into wholly owned subsidiaries. Any growth in the presence of foreign banks or in foreign investments in Indian banks may increase the competition that we face and as a result have a material adverse effect on our business.

In February 2013, the RBI released guidelines for licensing of new banks in the private sector. The key items covered under these guidelines include: i) promoters eligible to apply for banking licenses; ii) corporate structure; iii) minimum capital requirements for new banks; iv) foreign shareholding cap; v) corporate governance; and vi) business plan. The RBI has 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 route, subject to compliance with certain specified criteria. Such a non-operative financial holding company is 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. The RBI specified July 1, 2013 as the deadline for submission of applications for setting up new banks in the private sector and it received about 26 applications for new bank licenses, including from some of the largest business groups in India. After review of the applications received, the RBI provided in-principle approvals to two applicants, IDFC Limited and Bandhan Financial Services Private Limited, in April 2014 which are valid for a period of 18 months, during which the new banks will have to be set up. The RBI will grant these new banks a license to commence banking operations only after being satisfied that the applicants have complied with the conditions established as part of the "in-principle" approvals. The RBI has liberalized the licensing regime and intends to issue licenses on an ongoing basis subject to its qualification criteria. In November 2014, the RBI released guidelines for licensing of payment banks and for licensing of small finance banks in the private sector. If the number of banks in the country increases, we will face increased competition in the businesses we operate in. This could have a material adverse effect on our business and financial results.

Delays in obtaining prior RBI approval and/or our inability to meet the criteria specified by RBI for opening new branches to increase our infrastructure and expand our reach into different geographical segments will restrict our expansion plans and have a negative impact on our future financial performance by preventing us from realizing anticipated revenue from the new branches.

The RBI issues instructions and guidelines to banks on branch authorization from time to time. Section 23 of the Banking Regulation Act provides that banks must obtain the prior approval of the RBI to open new branches. The RBI may cancel a license for violations of the conditions under which it was granted. With the objective of liberalizing and rationalizing the branch licensing process, the RBI, effective October 2013, granted general permission to banks like us to open branches in Tier 1 to Tier 6 centers, subject to reporting to the RBI and certain specified conditions. If we are unable to perform in a manner satisfactory to the RBI 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. This would adversely affect our financial performance by preventing us from realizing anticipated revenue from the new branches.

The Companies Act, 2013 has effected significant changes to the existing Indian company law framework, which may subject us to higher compliance requirements and increase our compliance costs.

A majority of the provisions and rules under the Companies Act, 2013 have recently been notified and have come into effect from the date of their respective notifications, resulting in the corresponding provisions of the Companies Act, 1956 ceasing to have effect. The Companies Act, 2013 has brought into effect significant changes to the Indian company law framework, such as in the provisions related to issue of capital, disclosures, corporate governance norms, audit matters, and related party transactions. Further, the Companies Act, 2013 has also introduced additional requirements which do not have corresponding equivalents under the Companies Act, 1956, including the introduction of a provision allowing the initiation of class action suits in India against companies by shareholders or depositors, a restriction on investment by an Indian company through more than two layers of subsidiary investment companies (subject to certain permitted exceptions), and prohibitions on advances to directors. We are also required to spend 2.0% of our average profits computed in accordance with the Companies Act, 2013, during three immediately preceding financial years on corporate social responsibility activities. While we already spend a portion of our profits on corporate social responsibility activities, we may be required to increase our spending to comply with the requirements stipulated under the Companies Act, 2013. Further, the Companies Act, 2013 imposes greater monetary and other liability on the Bank, directors and officers in default, for any non-compliance with the requirements. To ensure compliance with the requirements of the Companies Act, 2013, we may need to allocate additional resources, which may increase our regulatory compliance costs and divert management attention.

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, 2012, we had 2,544 branches and as at September 30, 2014, we had 3,600 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 such 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 consequence, 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 statutory auditors included in this Placement Document, our financial statements are prepared and presented in conformity with Indian GAAP. No attempt has been made to reconcile any of the information given in this 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 the 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 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 US 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.

Public companies in India, including us, may be required to prepare financial statements under IFRS or a variation thereof, IND-AS. The transition to IND-AS in India is still unclear and we may be adversely affected by this transition.

We may be required to begin preparing financial statements in accordance with IND-AS in the near future once regulatory authorities notify us that the implementation of IND-AS will be mandatory for banking institutions. The Ministry of Corporate Affairs, in its press release dated January 2, 2015, issued a roadmap for implementation of Indian Accounting Standards (IND-AS) converged with IFRS. This roadmap is not applicable to banking companies, insurance companies and non-banking finance companies. The Bank has not determined with any degree of certainty the impact such adoption will have on its financial reporting. Further, the new accounting standards will change, among other things, the Bank's methodology for estimating allowances for probable loan losses and for classifying and valuing its investment portfolio and its revenue recognition policy. There can be no assurance that the Bank's financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under IND-AS than under Indian GAAP. In the Bank's transition to IND-AS reporting, the Bank may encounter difficulties in the ongoing process of implementing and enhancing its management information systems. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IND-AS financial statements. Further, there is no significant body of established practice on which to draw in forming judgments regarding the new system's implementation and application. There can be no assurance that the Bank's adoption of IND-AS will not adversely affect its reported results of operations or financial condition and any failure to successfully adopt IND-AS could adversely affect the Bank's business, financial condition and results of operations.

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

We have not independently verified data obtained from industry publications and other sources referred to in this 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 the section "Industry Overview".

Risks Relating to India

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

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly 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 emerging markets may cause increased volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. Financial disruptions may occur again and could harm the Bank's business, its future financial performance and the prices of the 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. Since September 2008, liquidity and credit concerns and volatility in the global credit and financial markets increased significantly with the bankruptcy or acquisition of, and government assistance extended to, several major U.S. financial institutions. The United States continues to face adverse economic conditions and should a further downgrade of the sovereign credit ratings of the U.S. government occur, it is foreseeable that the ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the U.S. government could also be correspondingly affected by any such downgrade, which may have an adverse affect on the economic outlook across the world.

Recent developments in the Eurozone have exacerbated the ongoing global economic crisis. Large budget deficits and rising public debts in Europe have triggered sovereign debt finance crises that resulted in the bailouts of European economies and elevated the risk of government debt defaults, forcing governments to undertake aggressive budget cuts and austerity measures, in turn underscoring the risk of global economic and financial market volatility. Moreover, in 2012, the sovereign rating of various European Union countries was downgraded. Financial markets and the supply of credit could continue to be negatively impacted by ongoing concerns surrounding the sovereign debts and/or fiscal deficits of several countries in Europe, the possibility of further downgrades of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and 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, widening of credit spreads and a lack of price transparency in the United States, Europe and global credit and financial markets.

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 are any significant financial disruption, this could have an adverse effect on the Bank's business, future financial performance and the trading price of the equity shares.

Any adverse change in India's credit rating by an international rating agency could adversely affect our business and profitability.

In May 2013, Standard & Poor's, an international rating agency, reiterated its negative outlook on India's credit rating. It identified India's high fiscal deficit and heavy government borrowing as the most significant constraints on its ratings, and recommended the implementation of reforms and containment of deficits. In June 2013, Fitch, another international rating agency, returned India's sovereign outlook to "stable" from "negative" a year after its initial downgrade of the outlook, stating that the authorities had been successful in containing the upward pressure on the central government budget deficit in the face of a weaker-than-expected economy and that the authorities had also begun to address structural factors that have weakened the investment climate and growth prospects. Similarly, Standard & Poor's upgraded its outlook on India's sovereign debt rating to "stable", while reaffirming the "BBB" long-term rating on bonds. Standard & Poor's stated that the revision reflects the view that India's improved political setting offers an environment which is conducive to reforms that could boost growth prospects and improve fiscal management. Going forward, the sovereign ratings outlook will remain dependent on whether the government is able to transition the economy out of a low-growth and high inflation environment, as well as exercise adequate fiscal restraint. Any adverse change in India's credit ratings by international rating agencies may adversely impact our business and limit our access to capital markets.

The Bank's long term unsecured, subordinated (tier II) bonds are rated "CARE AAA" by CARE and "AAA (ind)" (with the outlook on the rating as "stable") by India Ratings and Research Private Ltd. (100% subsidiary of Fitch Inc.). CARE has also rated the Bank's Certificate of Deposit (CD) program "CARE A1+" which represents "very strong degree of safety regarding timely payment of financial obligations". India Ratings India Private Ltd. has assigned the "tAAA (ind)" rating to the Bank's deposit program, with the outlook on the rating as "stable". Any downgrade from the current credit rating of our borrowings may result in an increase in interest rates or require us to prepay such borrowings, thereby impacting our cost of borrowing and liquidity.

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 inflows into India have remained extremely volatile responding to concerns about the domestic macroeconomic landscape and changes in the global risk environment. While the current account deficit (CAD) remained a main area of concern over fiscal 2012 and fiscal 2013, it has shrunk sharply in fiscal 2014. A substantial decline in the imports bill reflecting weak domestic growth as well as a sharp reduction in gold imports led to a significant narrowing in the trade deficit that in turn reduced the size of the CAD. However, the primary challenge for the Indian rupee was the volatile swings in capital flows. The shifts in capital flows is reflected in the fact that Indian rupee recorded a high of ₹ 53.65 to US dollar and a low of ₹ 68.80 to the US dollar during fiscal 2014. Even though the Indian rupee has been fairly stable since start of calendar year 2014, it may come back under pressure given the possibility of a gradual reversal in US monetary policy that may result in a rotation of global fund flows from emerging markets to the US markets over the medium term. Additionally, some anxiety about the prospect of sub-normal monsoons adversely affecting the domestic economy could make investors circumspect of investing in domestic assets. Although the rupee is less vulnerable given the improvements in the CAD and visible moderation in inflation rates, there remains a possibility of needing to intervene in the foreign exchange market to control volatility of the exchange rate. This heightened volatility may only occur around mid-2015 when there may be a more substantial reversal in US monetary policy. The need to intervene at that point in time may result in the decline in India's foreign exchange reserves and subsequently reduce the amount of liquidity in the domestic financial system. This in turn could cause domestic interest rates to rise.

Further, 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. Most recently, the election of Prime Minister Narendra Modi and a pro-business majority in May 2014 has marked a distinct increase in expectations for policy and economic reforms among certain aspects of the Indian economy. There is no guarantee Prime Minister Modi and the new 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 or if Prime Minister Modi ceases to act as Prime Minister. There is also no guarantee that the government will announce an optimal set of reforms or policies in the future. 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. Other major reforms that have been proposed are the goods and services tax, the direct tax code and the general anti-avoidance rules (GAAR). 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.

Investors may have difficulty enforcing foreign judgments in India against the Bank or its management.

The Bank was constituted under the Companies Act, 1956. 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 (Code). Section 44A of the Code provides that where a foreign judgment has been rendered by a superior court in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, section 44A of the 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 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. Accordingly, a judgment of a court in the United States may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a new suit upon the judgment and not by proceedings in execution. Section 13 of the 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. The Bank 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. Currently prices of securities listed on Indian exchanges are displaying signs of volatility linked among other factors to the uncertainty in the global markets and the rising inflationary and interest rate pressures 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. 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. 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.

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 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 FVCIs, 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.

Your holdings will be diluted by additional issuances of equity due to our offering of equity shares as described in this Placement Document in combination with a concurrent offering of ADRs in the United States and such dilution in connection with these concurrent offerings, future equity offerings or preferential offerings to our existing shareholders may adversely affect the market price of our equity shares.

Concurrent with the offering of equity shares via this Issue as described in this Placement Document, we are also offering additional ADRs in the United States. The combined equity issuance pursuant to these concurrent offerings will dilute the holdings of investors in the Bank and could adversely affect the market price of our equity shares. In addition, if we offer additional equity shares or ADRs in future offerings in India, the United States or other markets or make any preferential offerings to our existing shareholders, including our principal shareholder, in the future, such offerings may also dilute your holdings and adversely affect the market price of our shares.

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 listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if Securities Transaction Tax (STT) has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the equity shares are sold. 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 STT has been paid, will be subject to long term capital gains tax in India. 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 the section "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 issuing 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 withholding may affect payments on the equity shares.

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 and, (b) potentially require such foreign financial institutions 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 non-U.S. financial institutions that do not comply with such reporting and due diligence requirements or certain other payees that do not provide required information. The United States has entered into a number of intergovernmental agreements with other jurisdictions with respect to FATCA ("IGAs") which may modify the operation of this withholding. The Bank as well as relevant intermediaries such as custodians and depository participants are classified as financial institutions for these purposes. Given that India has reached an "agreement in substance" with the United States on FATCA and is expected to sign a Model 1 IGA with the United States for giving effect to FATCA, Indian financial institutions such as the Bank are also being instructed to become fully FATCA compliant, based on the terms of its IGA and relevant rules.

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 ADSs or 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.

MARKET PRICE INFORMATION

The Equity Shares have been listed and traded on the BSE and the NSE since November 8, 1995. As on the date of this Placement Document, 2,418,781,125 Equity Shares have been issued and are fully paid up.

On February 3, 2015 the closing price of the Equity Shares on the BSE and the NSE was ₹ 1,063.25 and ₹ 1,064.10 per Equity Share, respectively. Because the Equity Shares are actively traded on the BSE and the NSE, the market price and other information for each of the BSE and the 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, 2012, March 31, 2013 and March 31, 2014:

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 (₹)**
April 1, 2011 – July 13, 2011*	2,564.95	July 7, 2011	63,490	162.60	2,220.25	May 5, 2011	981,179	2,183.58	2,357.60
July 14, 2011 – March 30, 2012*	532.95	February 15, 2012	375,428	198.16	406.05	December 19, 2011	513,609	208.62	477.59
2013	703.65	November 30, 2012	110,129	76.85	487.00	May 23, 2012	85,977	41.85	606.65
2014	750.45	March 24, 2014	565,526	422.85	560.90	August 27, 2013	701,487	398.26	661.90

** On July 6, 2011, the face value of the equity shares was sub-divided from ₹10 per equity share to ₹ 2 per equity share.*

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 (₹)**
April 1, 2011 – July 13, 2011*	2,565.80	July 7, 2011	738,902	1,893.26	2,220.45	May 5, 2011	934,949	2,086.24	2,358.67
July 14, 2011 – March 30, 2012*	533.15	February 23, 2012	4,273,937	2,275.18	406.00	December 19, 2011	8,085,381	3,282.23	477.81
2013	703.95	November 30, 2012	3,909,823	2,736.48	487.20	May 23, 2012	3,173,972	1,543.69	606.87
2014	750.65	March 24, 2014	2,928,465	2,190.61	561.90	August 27, 2013	13,677,093	7,788.02	661.87

** On July 6, 2011, the face value of the equity shares was sub-divided from ₹10 per equity share to ₹ 2 per equity share.*

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

<u>Notes:</u>

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

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 (₹)**
August 2014	846.60	August 22, 2014	180,476	151.75	793.60	August 11, 2014	74,845	59.58	822.39
September 2014	871.50	September 30, 2014	493,488	430.30	841.55	September 1, 2014	96,675	81.54	856.58
October 2014	912.20	October 31, 2014	543,755	495.22	859.15	October 16, 2014	87,180	75.53	884.23
November 2014	957.40	November 28, 2014	147,793	141.92	899.00	November 7, 2014	192,361	173.03	926.31
December 2014	963.25	December 22, 2014	156,223	148.88	921.85	December 17, 2014	136,614	125.89	940.94
January 2015	1,094.30	January 29, 2015	377,264	408.58	942.65	January 6, 2015	77,026	72.98	1,000.10

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 (₹)**
August 2014	846.75	August 22, 2014	2,503,822	2,106.18	792.95	August 11, 2014	1,406,556	1,119.22	822.51
September 2014	872.65	September 30, 2014	3,008,858	2,620.77	841.20	September 1, 2014	1,038,664	875.74	856.90
October 2014	911.85	October 31, 2014	2,526,497	2,299.45	858.85	October 16, 2014	1,383,271	1,197.91	884.13
November 2014	957.15	November 28, 2014	2,312,965	2,217.68	899.45	November 7, 2014	2,257,123	2,030.67	926.52
December 2014	963.70	December 22, 2014	2,073,903	1,976.07	921.85	December 17, 2014	1,766,004	1,626.77	941.03
January 2015	1,095.00	January 29, 2015	5,141,904	5,581.38	942.25	January 6, 2015	2,054,920	1,949.11	1,000.25

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

<u>Notes:</u>

1. High, low and average prices are based on the daily closing prices.
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 2014, 2013 and 2012 and the last six months on the Stock Exchanges:

Period	**Number of Equity Shares traded**		**Turnover (In ₹ million)**	
	BSE	**NSE**	**BSE**	**NSE**
April 1, 2011 – July 13, 2011*	4,993,550	51,751,386	11,669.31	121,963.19
July 14, 2011 – March 30, 2012*	44,516,108	592,897,553	21,115.58	281,375.45
FY13	39,222,933	662,364,568	23,955.49	401,100.38
FY14	53,382,371	788,940,174	35,001.45	514,995.00
August 2014	2,618,159	32,769,538	2,158.97	26,989.58
September 2014	5,594,864	41,638,888	4,799.49	35,717.18
October 2014	4,293,140	31,604,056	3,809.24	28,026.79
November 2014	3,633,336	37,899,121	3,352.79	35,130.89
December 2014	2,981,184	33,718,194	2,808.03	31,757.74
January 2015	5,165,521	41,996,943	5,237.60	42,609.96

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

** On July 6, 2011, stock was spit from ₹10 to ₹ 2 per share.*

(iv) The following table sets forth the market price on the Stock Exchanges on May 20, 2014, 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)**
819.00	821.10	804.10	815.65	153,753	125.44

NSE					
Open	**High**	**Low**	**Close**	**Number of Equity Shares traded**	**Volume (₹ million)**
816.00	821.60	804.35	816.05	1,589,258	1,298.05

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

USE OF PROCEEDS

The gross proceeds from the Issue are expected to be approximately ₹ 20,000 million.

The net proceeds from the Issue, after deducting fees and commissions for the Issue, are expected to be approximately ₹ 19,850 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, for meeting capital requirements in accordance with the capital adequacy norms and ensuring adequate capital to support growth and expansion, including enhancing our solvency and capital adequacy ratio and general corporate purposes.

Neither our Promoter nor the Directors are making any contribution either as part of the Issue or separately in furtherance of the objects of the Issue.

CAPITALISATION STATEMENT

The following table sets forth our capitalisation (on a standalone basis) as at September 30, 2014 on an:

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

You should read this table together with the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 66 and our audited standalone financial results as of and for the six months ended September 30, 2014 and the related notes thereto contained in the section "Financial Statements" on page 228.

	As at September 30, 2014	
	Actual	**As Adjusted[1]**
	(₹ million)	
Short term debt:		
Secured	-	-
Unsecured	100,022.0	100,022.0
Long term debt:		
Unsecured	285,382.1	285,382.1
Total debt	385,404.1	385,404.1
Shareholders' funds:		
Share capital	4,828.6[2]	4,998.1[2]
Securities premium	148,687.7	246,087.8[3]
Reserves and surplus	333,631.7	333,631.7
Total funds (excluding loan funds)	487,148.0	584,717.6
Total capitalization	872,552.1	970,121.7

Notes:

1. As adjusted to show the number of Equity Shares issued in the Issue as well as the Equity Shares issued in the ADR Offering. As part of the ADR Offering, the Bank proposes to issue 22,000,000 ADRs representing 66,000,000 Equity Shares at a price of U. S. $ 57.76 per ADR. However, this does not give effect to the Equity Shares allotted by the Bank post September 30, 2014 pursuant to exercise of options granted under its employee stock option schemes.

2. The Bank has allotted an aggregate of 3,085,470 Equity Shares during the quarter ended December 31, 2014 and further allotted 1,373,500 Equity Shares during the month of January 2015, pursuant to exercise of options granted under its employee stock option schemes. As on the date of this Placement Document, 112,678,450 stock options granted by the Bank under 10 employee stock option schemes are outstanding.

3. Estimated commission, payable by us, of ₹ 150 million have been deducted from the gross proceeds of the sale of Equity Shares pursuant to the Issue. In addition, estimated underwriting discounts and commissions payable by us of U.S. $ 17.4 million or ₹ 1,077.7 million have been deducted from the gross proceeds of the sale of Equity Shares issued in the ADR offering.

CAPITAL STRUCTURE

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

(In ₹, except Equity Share data)

		Aggregate value at face value
A	**AUTHORISED SHARE CAPITAL**	
	2,750,000,000 Equity Shares	5,500,000,000
B	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL BEFORE THE ISSUE**	
	2,418,781,125 Equity Shares	4,837,562,250
C	**PRESENT ISSUE IN TERMS OF THIS PLACEMENT DOCUMENT(1)**	
	18,744,142 Equity Shares aggregating to ₹ 20,000 million	37,488,284
D	**PAID-UP CAPITAL AFTER THE ISSUE(2)**	
	2,503,525,267 Equity Shares(3)	5,007,050,534
E	**SHARE PREMIUM ACCOUNT**	
	Before the Issue	150,901,422,478.05
	After the Issue(2)(4)	248,301,547,111.70

(1) The Issue has been authorized by the Board of Directors pursuant to a resolution dated May 19, 2014 and by the shareholders pursuant to a resolution dated June 25, 2014.

*(2) Pursuant to the approval granted by the shareholders of the Bank through the resolution dated June 25, 2014, 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. As part of the ADR Offering, the Bank proposes to issue 22,000,000 ADRs representing 66,000,000 Equity Shares at a price of U. S. $ 57.76 per ADR.*

(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

- 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	-	-

(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.*

- 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
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

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)
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	1,373,500	2	340.96 to 680.00	Cash

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 declared on the Equity Shares, both exclusive of dividend tax.

Fiscal Year	Dividend Per Equity Share	Total Amount of Dividend
	(In ₹)	(In ₹ million)
2014	6.85	16,433.5
2013	5.50	13,090.8
2012	4.30	10,090.8

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) of 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 141. 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, 2012, March 31, 2013 and March 31, 2014 and our audited interim unconsolidated financial statements for the half year periods ended September 30, 2013 and September 30, 2014 included in this placement document. Also refer the sections "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 11, the section "Risk Factors" on page 37 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, dividends from securities excluding dividend from subsidiary and associate companies, and 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 treasury securities. Other investments include asset-backed securities, mortgage-backed securities, deposit certificates issued by banks, placements made to comply with the extant Reserve Bank of India guidelines on shortfalls in directed lending sub-limits 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, 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. The average balances of investments, presented in this document, are net of average balances of repo transactions with the RBI and include average balances of securities purchased under agreements to resell (reverse repo transactions) with the RBI, consistent with our balance sheet presentation, as mandated by the RBI. Accordingly, interest expended on these repo transactions is netted off from interest income on investments, and interest income on these reverse repo transactions is included under interest income on investments 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 repo transactions is included under interest expense on borrowings and the interest income on these reverse repo transactions is included under interest income on balances with the RBI and other inter-bank funds.

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, 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, repair and maintenance expenses, depreciation, outsourcing expenses (including commission paid to sales agents) and other expenses.

Our financial condition and results of operations are affected by general economic conditions prevailing in India. Fiscal 2014 was a challenging year for the Indian economy driven by subdued domestic growth, extreme volatility in the exchange rate and a much higher than expected spike in inflation rates. Domestic GDP growth showed a marginal improvement from 4.5% in fiscal 2013 to 4.7% in fiscal 2014 primarily attributable to an increase in agricultural growth from 1.4% in fiscal 2013 to 4.7% in fiscal 2014. Growth in both the industrial sector and service sector remained lackluster due to a weakness in both consumption and investment demand. A major challenge for the economy in the first half of fiscal 2014 was the weakening of the Indian rupee against the U.S. dollar driven by concerns about the domestic macroeconomic landscape that made investors somewhat circumspect of investing in domestic assets. Anxiety about the future direction of U.S. monetary policy due to the U.S. Federal Reserve preparing the markets for a gradual wind-down of its third round of quantitative easing (QE3) resulted in an overall outflow of funds from European markets. The Indian rupee also fell victim to this rotation of funds away from European markets and into US markets. To counter pressures of currency depreciation, the RBI in July 2013 introduced a series of measures to tighten domestic liquidity in order to raise short-term rates to provide the Indian rupee with some yield advantage. These measures resulted in an inversion of the yield curve. The RBI also provided various incentives to commercial banks to raise foreign currency non-resident (FCNR) deposits that resulted in foreign currency flows of U.S. $34 billion into the country. The RBI gradually removed these emergency measures when the exchange rate showed some signs of stability in the second half of fiscal 2014. However, the RBI increased the repo rate by approximately 75 bps over the course of fiscal 2014 in part to counter the exchange rate depreciation as well as to fight inflationary pressures as the consumer price index (CPI) inflation touched a high of 11.24% in November 2013.

Indications of an improvement in the overall domestic macroeconomic landscape have been visible over the fourth quarter of fiscal 2014 and the first quarter of fiscal 2015, which has helped to stabilise the Indian rupee. Inflationary pressures, both in terms of the CPI and the wholesale price index, have subsided as a result of a decline in food price inflation. The government's efforts to ramp up the local supply of food grains appears to have helped in reining in overall inflation rates. For example, CPI inflation has fallen from a high of 11.2% in November 2013 to 6.6% in September 2014. As a result of, *inter alia*, declining inflationary pressures the RBI, in its press release dated January 15, 2015, reduced the policy repo rate by 25 basis points from 8.0% to 7.75% with immediate effect. The government appears to be firmly committed to fiscal consolidation by reducing the fiscal deficit from 4.6% in fiscal 2014 to 4.1% in fiscal 2015. Further, there has been an improvement in the current account deficit which has decreased from 4.8% of GDP in fiscal 2013 to 1.7% of GDP in fiscal 2014 and which is expected to widen only very marginally to 2.0% of GDP in fiscal 2015. The improvement in the current account position can partially be attributed to the reduction in the trade deficit as imports fell by 7.2% in fiscal 2014. The ongoing domestic growth prospects are based on expectations that the new government, which took office in May 2014, with a strong mandate could spur the reform process to address the structural bottlenecks that have hampered growth over fiscal 2012 to fiscal 2014. This may in turn help to revive growth prospects in the Indian economy and enable domestic growth to increase to around 5.4%.

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 as applicable to banks. 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 for fiscal 2014.

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.

Recording purchase and sale transactions in securities is done following ‘Settlement Date’ 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 the above categories are classified under AFS category.

Acquisition cost:

In determining acquisition cost of an investment:

- Brokerage, commission, etc. paid at the time of acquisition, are recognised in the Statement of Profit and Loss.
- Broken period interest on debt instruments is recognised in the Statement of Profit and Loss.
- Cost of investments is based on the weighted average cost method.

Disposal of investments:

Profit / Loss on sale of investments under the aforesaid three categories is recognised in the Statement of Profit and Loss. 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, wherever linked to the YTM rates, 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.

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 is made thereon based on the RBI guidelines. The depreciation / provision is 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 is accounted for as interest income.

In respect of repo transactions under LAF and MSF with the RBI, the amount borrowed from the 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, the amount lent to the RBI is debited to investment account and reversed on maturity of the transaction. Revenues thereon are 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, 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 NPAs 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. 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.

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 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 RBI. Provision for standard assets is included under Other Liabilities.

Provisions made in excess of these regulatory requirements or provisions which are not made with respect to specific non-performing assets 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 and as per policy approved by the Board, floating provisions are not reversed by credit to Statement of Profit and Loss. Floating provisions are used only for contingencies under extraordinary circumstances wherein these are used for making specific provisions for impaired accounts. 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, 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. Restructuring of an account is done at a borrower level.

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 the 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 at the end of every financial year. 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 prinicipal amortised during the year as a proportion to the amount of unamortised prinicipal 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.

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 rates of depreciation are not lower than the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation rates for certain key fixed assets are given below:

Asset	Depreciation rate per annum
Owned Premises..	1.63%
Very Small Aperture Terminals (VSATs)	10.00%
Automated Teller Machines (ATMs)	10.00%
Office Equipment	16.21%
Computers	33.33%
Motor cars	25.00%
Software and System development expenditure......................................	20.00%
Assets at residences of executives of the Bank	25.00%

- Improvements to lease hold premises are charged off over the remaining primary period of lease.
- Items (excluding staff assets) costing less than ₹ 5,000 and point of sale terminals are fully depreciated in the year of purchase.
- All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956.
- For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Bank.
- The Bank undertakes assessment of the useful life of an asset at periodic intervals taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, etc. 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.

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.

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.

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 contracts for longer maturities i.e. greater than one year are revalued using MIFOR (Mumbai Interbank Forward Offer Rate) and contracts with USD-INR currency pair are valued using USD LIBOR (London Interbank Offered Rate) rates. For other currency pairs, the forward points (as published by FEDAI) are extrapolated. The resulting profit or loss on valuation 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.

Currency futures contracts are marked to market daily using settlement price on a trading day, which is the closing price of the respective futures contracts on that day. While the daily settlement price is computed 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 futures contract or as may be specified by the relevant authority from time to time. All open positions are marked to market based on the settlement price and the resultant marked to market profit / loss is daily settled with the exchange.

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

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.

Revenue Recognition

Interest income is recognised in the Statement of Profit and Loss on an accrual basis, except in the case of NPAs 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.

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.

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 and the rules framed there under) 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.

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.

Segment Information

The disclosure relating to segment information is in accordance with the guidelines issued by the RBI.

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 realized.

Cash and Cash Equivalents

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

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 2013, we classified commission paid to sales agent under Operating Expenses and subvention received from dealers and manufacturers under Other Income. Previously, these were netted and reduced from Interest Income. Effective fiscal 2013, we also classified the recoveries from written off accounts under Other Income and the direct charge offs under Operating Expenses. Previously, these were included in the specific loan loss charge under Provisions and Contingencies. These changes in classification were made pursuant to the RBI's instructions in its letter dated March 22, 2013 and had no impact on our profit and loss. Also see note 2 under *Schedule 18 – Notes forming part of the financial statements for the year ended March 31, 2013*.

Six Month Period Ended September 30, 2014 Compared to Six Month Period Ended September 30, 2013

Summary of Performance

	Six months ended September 30,		
	2013	**2014**	**% Increase/ (Decrease)**
	(in millions, except percentages)		
Net interest income	₹ 88,952.3	₹ 106,826.0	20.1%
Other income	37,699.5	38,976.7	3.4
Operating expenses	59,724.0	66,763.1	11.8
Provisions (including tax) and contingencies	28,666.0	32,894.6	14.8
Net profit	**₹ 38,261.8**	**₹ 46,145.0**	**20.6%**

Net Interest Income

Our net interest income increased by 20.1% from ₹ 89.0 billion in the six month period ended September 30, 2013 to ₹ 106.8 billion in the six month period ended September 30, 2014. The following table sets out the components of net interest income:

	Six months ended September 30,		
	2013	**2014**	**% Increase/ (Decrease)**
	(in millions, except percentages)		
Interest / discount on advances / bills	₹ 150,168.5	₹ 178,089.2	18.6%
Income on investments	45,095.5	49,528.1	9.8

	Six months ended September 30,		
	2013	2014	% Increase/ (Decrease)
	(in millions, except percentages)		
Other interest income	2,299.0	3,059.8	33.1
Interest income	**197,563.0**	**230,677.1**	**16.8**
Interest expended	108,610.7	123,851.1	14.0
Net interest income	**₹ 88,952.3**	**₹ 106,826.0**	**20.1%**

Interest Income

Our total interest income increased by 16.8% from ₹ 197.6 billion in the six month period ended September 30, 2013 to ₹ 230.7 billion in the six month period ended September 30, 2014. The increase in interest income was primarily due to the following:

- Interest income on loans increased by 18.6% primarily due to an increase in our average loan book. The average balance of our total loan book increased by 20.5% from ₹ 2,558.8 billion in the six months ended September 30, 2013 to ₹ 3,082.6 billion for the six months ended September 30, 2014. Yield on advances were 11.5% in the six months ended September 30, 2014 as compared to 11.6% in the six months ended September 30, 2013.

- Interest income on investments, increased by 9.8% from ₹ 45.1 billion in six months ended September 30, 2013 to ₹ 49.5 billion in six months ended September 30, 2014. This was driven by an increase in the average balance of investments and yield on investments. The average balance of our investments increased by ₹ 219.6 billion from ₹ 1,064.1 billion in the six months ended September 30, 2013 to ₹ 1,283.7 billion in the six months ended September 30, 2014. Yield on investments increased from 7.3% for the six months ended September 30, 2013 to 7.7% for the six months ended September 30, 2014.

- Other interest income increased by 33.1% for the first half of fiscal 2015 compared to that of fiscal 2014 due to an increase in the average balance of our interbank placements.

Interest Expended

Our total interest expended increased by 14.0% from ₹ 108.6 billion in the six month period ended September 30, 2013 to ₹ 123.9 billion in the six month period ended September 30, 2014. The increase in interest expensed was primarily due to the following:

- Our interest expense on deposits increased by 25.1% from ₹ 88.5 billion for the six months ended September 30, 2013 to ₹ 110.7 billion for the six months ended September 30, 2014. This was primarily attributable to an increase in our average deposits, which increased by 23.3% from ₹ 2,985.6 billion in the six months ended September 30, 2013 to ₹ 3,680.2 billion in the six months ended September 30, 2014. Our average cost of our deposits marginally increased from 5.9% to 6.0% for the six month periods ended September 30, 2013 and 2014 respectively.

- The increase in interest expense on deposits was partially off-set by a decrease in our interest expense on our borrowings. Our interest expense on other borrowings reduced from ₹ 20.1 billion in the six months ended September 30, 2013 to ₹ 13.2 billion in the six months ended September 30, 2014 primarily on account of a decline in the cost of such borrowings from 6.5% to 5.9% during the respective periods. This was partially off-set by a marginal increase in our average borrowings by 2.7% from ₹ 394.2 billion in the six months ended September 30, 2013 to ₹ 405.0 billion in the six months ended September 30, 2014.

Other Income

Our other income increased by 3.4% from ₹ 37.7 billion in the six month period ended September 30, 2013 to ₹ 39.0 billion in the six month period ended September 30, 2014. This increase was primarily due to an increase in our commission, exchange and brokerage income, profit on sale and revaluation of investments and higher recoveries on written-off accounts. This increase was partially off-set by a decline in profits from exchange and derivative transactions. Our commissions increased by 11.5% from ₹ 26.4 billion in the six months ended September 30, 2013 to ₹ 29.4 billion in the six months ended September 30, 2014, primarily on account of an increase in fees and charges on retail asset products, fees on credit cards and transactional charges and fees on deposit accounts. Profit on sale and revaluation of investments increased from ₹ 0.3 billion in the six months ended September 30, 2013 to ₹ 1.2 billion in the six months ended September 30, 2014 primarily on account of sale of Government of India securities. Profit on exchange and derivative transactions declined from ₹ 8.2 billion in the six months ended September 30, 2013 to ₹ 4.5 billion in the six months ended September 30, 2014 primarily on account of a reduction of spreads and decline in volumes of customer flows.

Operating Expenses

Our operating expenses increased by 11.8% from ₹ 59.7 billion in the six month period ended September 30, 2013 to ₹ 66.8 billion in the six month period ended September 30, 2014. As of September 30, 2014, we had 3,600 branches and 11,515 ATMs across 2,272 locations, which increased from 3,251 branches and 11,177 ATMs across 2,022 locations as of September 30, 2013. This led to an overall increase in our operating expenses. Staff cost increased by 6.9% from ₹ 21.4 billion in the six months ended September 30, 2013 to ₹ 22.9 billion in the six months ended September 30, 2014. This increase was primarily attributable to an increase in staff salaries and allowances on account of an increase in the number of employees from 69,662 employees as of September 30, 2013 to 75,339 employees as of September 30, 2014. Other significant reasons for increases in operating expenses were increased credit card interchange fees, higher rent and electricity expenses, insurance expenses and outsourcing expenses including commission paid to sales agents.

Provisions (Including Tax) and Contingencies

Our provisions (other than tax) and contingencies increased by 2.8% from ₹ 9.1 billion in the six month period ended September 30, 2013 to ₹ 9.4 billion in the six month period ended September 30, 2014. Provisions and contingencies for the six month period ended September 30, 2013 include write-back of provisions for securitised-out assets, standard restructured assets, tax, legal and other contingencies aggregating ₹ 1.1 billion. Further, specific provisions for NPAs decreased from ₹ 8.8 billion for the six month period ended September 30, 2013 to ₹ 8.1 billion for the six month period ended September 30, 2014. Our tax expense increased by 20.3%, from ₹ 19.5 billion in the six months ended September 30, 2013 to ₹ 23.5 billion in the six months ended September 30, 2014 due to an increase in our profits. Our total provisions and contingencies, including tax provisions increased by 14.8% from ₹ 28.7 billion in the six months ended September 30, 2013 to ₹ 32.9 billion in the corresponding period in fiscal 2015.

Net Profit

As a result of the above, our net profit increased by 20.6% from ₹ 38.3 billion in the six month period ended September 30, 2013 to ₹ 46.1 billion in the six month period ended September 30, 2014.

Fiscal Year Ended March 31, 2014 Compared to Fiscal Year Ended March 31, 2013

Summary of Performance

	Year ended March 31,		
	2013	**2014**	**% Increase/ (Decrease)**
	(in millions, except percentages)		
Net interest income	₹ 158,111.2	₹ 184,826.4	16.9%
Other income	68,526.2	79,196.4	15.6
Operating expenses	112,361.2	120,421.9	7.2
Provisions (including tax) and contingencies	47,013.4	58,816.9	25.1
Net profit	**₹ 67,262.8**	**₹ 84,784.0**	**26.0%**

Net Interest Income

Our net interest income increased by 16.9% from ₹ 158.1 billion in fiscal 2013 to ₹ 184.8 billion in fiscal 2014. The following table sets out the components of net interest income:

Year ended March 31,

		2013		2014	% Increase/ (Decrease)
		(in millions, except percentages)			
Interest / discount on advances / bills	₹	268,223.9	₹	316,869.2	18.1%
Income on investments		78,202.6		90,368.5	15.6
Other interest income		4,222.2		4,117.7	(2.5)
Interest Income		**350,648.7**		**411,355.4**	**17.3**
Interest Expended		192,537.5		226,529.0	17.7
Net Interest Income	**₹**	**158,111.2**	**₹**	**184,826.4**	**16.9%**

Interest Income

Our total interest income increased by 17.3% from ₹ 350.6 billion in fiscal 2013 to ₹ 411.4 billion in fiscal 2014. The increase in interest income was primarily due to the following:

- Interest income on loans increased by 18.1% primarily due to an increase in our average loan book. The average balance of our total loan book increased by 21.5% from ₹ 2,249.4 billion in fiscal 2013 to ₹ 2,733.1 billion for fiscal 2014. This increase was partially off-set by a decrease in yield of our loan portfolio from 11.8% in fiscal 2013 to 11.5% in fiscal 2014.

- Interest income on investments increased by 15.6% from ₹ 78.2 billion in fiscal 2013 to ₹ 90.4 billion in fiscal 2014. This was driven by an increase in the average balance of investments. The average balance of our investments increased by ₹ 154.7 billion from ₹ 946.8 billion in fiscal 2013 to ₹ 1,101.6 billion in fiscal 2014. This increase was partially off-set by a marginal decline in yield on investments from 7.5% in fiscal 2013 to 7.4% in fiscal 2014.

- Other interest income decreased by 2.5% in fiscal 2014 due to a decrease in the yields of our interbank placements.

Interest Expended

Our total interest expended increased by 17.7% from ₹ 192.5 billion in fiscal 2013 to ₹ 226.5 billion in fiscal 2014. The increase in interest expensed was primarily due to the following:

- Our interest expense on deposits increased by 16.7% from ₹ 163.2 billion in fiscal 2013 to ₹ 190.5 billion in fiscal 2014. This increase was primarily attributable to an increase in our average deposits, which increased by 19.8% from ₹ 2,662.0 billion in fiscal 2013 to ₹ 3,188.7 billion in fiscal 2014. This increase was partially off-set by a marginal decline in the average cost of our deposits which decreased from 6.1% to 6.0% for fiscals 2013 and 2014 respectively.

- Our interest expense on other borrowings increased by 22.9% from ₹ 29.3 billion in fiscal 2013 to ₹ 36.0 billion in fiscal 2014, primarily on account of an increase in the average balance of our borrowings by 36.4% from ₹ 302.5 billion in fiscal 2013 to ₹ 412.6 billion in fiscal 2014. This was partially off-set by a marginal decline in the cost of these borrowings from 6.4% in fiscal 2013 to 6.3% in fiscal 2014.

Other Income

Our other income increased by 15.6% from ₹ 68.5 billion in fiscal 2013 to ₹ 79.2 billion in fiscal 2014. This increase was primarily due to an increase in our commission, exchange and brokerage income, profit on exchange and derivative transactions and recoveries from written-off accounts. This increase was partially off-set by a decline in profits on sale and revaluation of investments. Our commissions increased by 11.0% from ₹ 51.7 billion in fiscal 2013 to ₹ 57.3 billion in fiscal 2014 primarily on account of an increase in fees and charges on retail asset products, fees on credit cards and transactional charges and fees on deposit accounts. Profits on sale and revaluation of investments decreased from ₹ 1.6 billion in fiscal 2013 to ₹ 1.1 billion in fiscal 2014. This was primarily attributable to the mark to market losses in our bond portfolio. Profit on exchange and derivative transactions increased from ₹ 10.1 billion in fiscal 2013 to ₹ 14.0 billion in fiscal 2014 primarily on account of an increase in volumes of customer flows and spreads. Recoveries from written-off accounts increased from ₹ 5.0 billion in fiscal 2013 to ₹ 6.2 billion in fiscal 2014.

Operating Expenses

Our operating expenses increased by 7.2% from ₹ 112.4 billion in fiscal 2013 to ₹ 120.4 billion in fiscal 2014. As of March 31, 2014, we had 3,403 branches and 11,256 ATMs across 2,171 locations, which increased from 3,062 branches and 10,743 ATMs across 1,845 locations as of March 31, 2013. This led to an overall increase in our operating expenses. Staff cost increased by 5.4% from ₹ 39.7 billion in fiscal 2013 to ₹ 41.8 billion in fiscal 2014. This increase was primarily attributable to an increase in staff salaries and allowances partially offset by a decline in the number of employees from 69,065 employees as of March 31, 2013 to 68,165 employees as of March 31, 2014. We undertook measures for cost management and productivity improvement of our staff during the fiscal. These measures also helped us in expanding our distribution network without a corresponding increase in the number of our employees. Other significant reasons for increases in operating expenses were higher rent and electricity expenses, insurance expenses and outsourcing expenses including commission paid to sales agents.

Provisions (Including Tax) and Contingencies

Our provisions (other than tax) and contingencies decreased by 5.3% from ₹ 16.8 billion in fiscal 2013 to ₹ 15.9 billion in fiscal 2014. Provisions and contingencies, for fiscal 2014 include write-back of provisions for securitized-out assets, standard restructured assets, tax, legal and other contingencies aggregating ₹ 2.9 billion. We had a lower charge on account of floating provisions amounting to ₹ 0.3 billion in fiscal 2014 as compared to ₹. 4.0 billion in fiscal 2013. Further, specific provisions for NPAs increased from ₹ 12.9 billion in fiscal 2013 to ₹ 16.3 billion in fiscal 2014. The higher provisioning was attributable to certain specific segments which were adversely affected by slower GDP growth, the ban on mining of iron ore in many areas due to environmental factors and a slowdown in industrial investments. Our commercial vehicle and equipment finance loan segment was also impacted on account of unfavourable economic conditions characterised by continued stress in the segment which was largely attributable to the moderation in industrial activity and continued stagnancy in mining activity and which led to an increase in the delinquency of these loans. Our tax expense increased by 42.0% from ₹ 30.2 billion in fiscal 2013 to ₹ 42.9 billion in fiscal 2014 due to an increase in our profits. The statutory income tax rate also increased from 32.45% in fiscal 2013 to 33.99% in fiscal 2014. As a result our total provisions and contingencies (including tax provisions) increased by 25.1% from ₹ 47.0 billion in fiscal 2013 to ₹ 58.8 billion in fiscal 2014.

Net Profit

As a result of the above, our net profit increased by 26.0% from ₹ 67.3 billion in fiscal 2013 to ₹ 84.8 billion in fiscal 2014.

Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

	Year ended March 31,		% Increase/ (Decrease)
	2012	2013	
	(in millions, except percentages)		
Net interest income	₹ 128,846.1	₹ 158,111.2	22.7%
Other income	57,836.2	68,526.2	18.5
Operating expenses	92,776.4	112,361.2	21.1
Provisions (including tax) and contingencies	42,235.4	47,013.4	11.3
Net profit	₹ **51,670.5**	₹ **67,262.8**	**30.2%**

Net Interest Income

Our net interest income increased by 22.7% from ₹ 128.8 billion for fiscal 2012 to ₹ 158.1 billion for fiscal 2013. The following table sets out the components of net interest income:

	Year ended March 31,		% Increase/ (Decrease)
	2012	2013	
	(in millions, except percentages)		

	Year ended March 31,		
	2012	**2013**	**% Increase/ (Decrease)**
	(in millions, except percentages)		
Interest / discount on advances / bills	₹ 211,244.4	₹ 268,223.9	27.0%
Income on Investments	65,045.9	78,202.6	20.2
Other interest income	2,451.6	4,222.2	72.2
Interest income	**278,741.9**	**350,648.7**	**25.8**
Interest expended	149,895.8	192,537.5	28.4
Net interest income	**₹ 128,846.1**	**₹ 158,111.2**	**22.7%**

Interest Income

Our total interest income increased by 25.8% from ₹ 278.7 billion for fiscal 2012 to ₹ 350.6 billion fiscal 2013. The increase in interest income was primarily due to the following:

- Interest income on loans increased by 27.0% primarily due to an increase in our average loan book. The average balance of our total loan book increased by 23.7% from ₹ 1,818.8 billion for fiscal 2012 to ₹ 2,249.4 billion for fiscal 2013. The increase in interest income on loans was also facilitated by an increase in the yield on our loans which increased from 11.5% in fiscal 2012 to 11.8% in fiscal 2013.

- Interest income on investments increased by 20.2% from ₹ 65.0 billion for fiscal 2012 to ₹ 78.2 billion for fiscal 2013. This was driven primarily by an increase in the average balance of investments. The average balance of our investments increased by ₹ 152.9 billion from ₹ 793.9 billion in fiscal 2012 to ₹ 946.8 billion in fiscal 2013. Yields on investments increased from 7.4% for fiscal 2012 to 7.5% for fiscal 2013.

- Other interest income increased from ₹ 2.5 billion in fiscal 2012 to ₹ 4.2 billion in fiscal 2013 primarily due to an increase in the average balance of our interbank placements.

Interest Expended

Our total interest expended increased by 28.4% from ₹ 149.9 billion for fiscal 2012 to ₹ 192.5 billion fiscal 2013. The increase in interest expensed was primarily due to the following:

- Our interest expense on deposits increased by 28.6%, from ₹ 126.9 billion in fiscal 2012 to ₹ 163.2 billion in fiscal 2013. This was attributable to an increase in our average balance and cost of our deposits. The average balance of deposits increased by 20.0% from ₹ 2,218.4 billion in fiscal 2012 to ₹ 2,662.0 billion in fiscal 2013. The average cost of our deposits increased from 5.7% to 6.1% for fiscals 2012 and 2013 respectively.

- Interest expense on other borrowings increased by 27.5% from ₹ 23.0 billion in fiscal 2012 to ₹ 29.3 billion in fiscal 2013 primarily on account of an increase in the average balance of our borrowings. The average balance of our borrowings increased by 35.1% from ₹ 223.9 billion in fiscal 2012 to ₹ 302.5 billion in fiscal 2013. This increase was partially off-set by a decline in the cost of our borrowings from 6.6% in fiscal 2012 to 6.4% in fiscal 2013.

Other Income

Our other income increased by 18.5% from ₹ 57.8 billion in fiscal 2012 to ₹ 68.5 billion in fiscal 2013. This increase was primarily due to an increase in our commission, exchange and brokerage income and profits sale and revaluation of investments. This increase was partially off-set by a decline in profit on exchange and derivative transactions. Our commissions increased by 19.8% from ₹ 43.1 billion for fiscal 2012 to ₹ 51.7 billion for fiscal 2013 primarily on account of an increase in transactional charges, fees and charges on retail asset products, fees on cards and fees on deposit accounts. We had a profit on sale and revaluation of investments aggregating ₹ 1.6 billion in fiscal 2013 as compared to a loss on sale and revaluation of investments aggregating ₹ 2.0 billion in fiscal 2012. The profit on sale and revaluation of investments in fiscal 2013 was primarily on account of sale of Government of India securities. Loss on sale and revaluation of investments in fiscal 2012 was primarily on account of mark to market losses in some of our investment securities. Profit on exchange and derivative transactions declined from ₹ 11.4 billion in fiscal 2012 to ₹ 10.1 billion in fiscal 2013 primarily on account of decline in trading income.

Operating Expenses

Our operating expenses increased by 21.1% from ₹ 92.8 billion in fiscal 2012 to ₹ 112.4 billion in fiscal 2013. As of March 31, 2013, we had 3,062 branches and 10,743 ATMs across 1,845 cities/towns, which increased from 2,544 branches and 8,913 ATMs across 1,399 cities/towns as of March 31, 2012. This led to an overall increase in our operating expenses. Staff costs increased by 16.6% from ₹ 34.0 billion in fiscal 2012 to ₹ 39.7 billion in fiscal 2013. This increase was primarily attributable to an increase in staff salaries and allowances on account of an increase in the number of employees from 66,076 employees as of March 31, 2012 to 69,065 employees as of March 31, 2013. Other significant reasons for increases in operating expenses were higher rent and electricity expenses, repairs and maintenance expenses, insurance expenses, and outsourcing expenses including commission paid to sales agents.

Provisions (Including Tax) and Contingencies

Our provisions (other than tax) and contingencies decreased by 10.7% from ₹ 18.8 billion in fiscal 2012 to ₹ 16.8 billion in fiscal 2013. We had a lower charge on account of floating provisions amounting to ₹ 4.0 billion in fiscal 2013 as compared to ₹ 7.0 billion in fiscal 2012. Further, specific provisions for non-performing assets increased from ₹ 11.9 billion in fiscal 2012 to ₹ 12.9 billion in fiscal 2013. The higher provisioning was primarily attributable to our commercial vehicle and equipment finance loans. An unfavourable economic situation characterised by sluggish road freight demand led to an increase in the delinquency of these loans. The unfavourable economic conditions were primarily attributable to the continued moderation in industrial activity and compression in margins for truck operators due to a sustained gradual increase in diesel prices and the inability to pass on the increase in operating costs on account of slowdown in mining and iron ore freight movement. Our tax expense increased by 28.9%, from ₹ 23.5 billion for fiscal 2012 to ₹ 30.2 billion for fiscal 2013 due to an increase in our profits. As a result our total provisions and contingencies, including tax provisions increased by 11.3% from ₹ 42.2 billion for fiscal 2012 to ₹ 47.0 billion for fiscal 2013.

Net Profit

As a result of the above, our net profit increased by 30.2% from ₹ 51.7 billion for fiscal 2012 to ₹ 67.3 billion for fiscal 2013.

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 Tier 2 capital.

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 report in order to facilitate an understanding of significant trends in our business.

	Year ended 31 March		
	2012	**2013**	**2014**
		(in millions)	
Net cash flow generated from/ (used in) operating activities	₹ (170,954.5)	₹ (18,687.9)	₹ 83,636.0
Net cash flow used in investing activities	(6,868.5)	(8,588.8)	(15,912.6)
Net cash flow generated from financing activities	90,260.3	90,658.4	55,629.8
Effect of exchange fluctuation on translation reserve	251.7	42.7	(318.5)
Net (decrease) increase in cash and cash equivalents	**₹ (87,311.0)**	**₹ 63,424.4**	**₹ 123,034.7**
Cash and cash equivalents, beginning of year	**296,688.3**	**209,377.3**	**272,801.7**
Cash and cash equivalents, end of year	**₹ 209,377.3**	**₹ 272,801.**	**₹ 395,836.4**

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 ₹ 83.6 billion generated from operating activities in fiscal 2014 as compared to net cash flows of ₹ 18.7 billion used in operating activities in fiscal 2013. The increase in net cash flows from operating activities was primarily attributable to an increase in our profit and higher cash flows on account of deposits amounting to ₹ 710.9 billion in fiscal 2014 as compared to ₹ 495.4 billion in fiscal 2013. Higher cash flows were partially off-set by the increase in the cash out flows of our advances and investments aggregating ₹ 736.7 billion in fiscal 2014 as compared to ₹ 597.6 billion in fiscal 2013.

We had net cash flows of ₹ 18.7 billion used in operating activities in fiscal 2013 as compared to net cash flows of ₹ 171.0 billion used in operating activities in fiscal 2012. This was primarily attributable to an increase in our profit and higher cash flows from deposits of ₹ 495.4 billion in fiscal 2013 as compared to ₹ 381.2 billion in fiscal 2012. Further, our cash out flows on account of advances and investments aggregated to ₹ 597.6 billion in fiscal 2013 as compared to ₹ 634.0 billion in fiscal 2012.

Cash Flows from Investing Activities

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

Our net cash flows used in investing activities increased from ₹ 8.6 billion in fiscal 2013 to ₹ 15.9 billion in fiscal 2014 primarily on account of our purchases of fixed assets of ₹ 8.2 billion and an increase in the investments in our subsidiary entites aggregating ₹ 7.9 billion.

Our net cash flows used in investing activities increased from ₹ 6.9 billion in fiscal 2012 to ₹ 8.6 billion in fiscal 2013 primarily on account of our purchases of fixed assets of ₹ 8.6 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.

Our net cash flows from financing activities decreased from ₹ 90.7 billion in fiscal 2013 to ₹ 55.6 billion in fiscal 2014. In fiscal 2013 we had proceeds from the issuance of debt capital instruments aggregating ₹ 54.5 billion. We did not make fresh issuances of debt capital instruments in fiscal 2014.

Our net cash flows from financing activities increased from ₹ 90.3 billion in fiscal 2012 to ₹ 90.7 billion in fiscal 2013 primarily on account of higher cash flows from the issuance of debt capital instruments aggregating ₹ 54.5 billion in fiscal 2013 as compared to ₹ 36.5 billion in fiscal 2012. This was partially off-set by higher cash out flows on account of our dividend pay-out which increased from ₹ 7.7 billion in fiscal 2012 to ₹ 10.1 billion in fiscal 2013 and lower cash flows from our market borrrowings which reduced from ₹ 57.4 billion in fiscal 2012 to ₹ 36.8 billion in fiscal 2013.

Financial Condition

Assets

The following table sets forth the principal components of our assets as of March 31, 2012, 2013 and 2014 and September 30, 2013 and 2014:

	As of March 31,			As of September 30,	
	2012	**2013**	**2014**	**2013**	**2014**
			(in millions)		
Cash and balances with the RBI............................	₹ 149,910.9	₹ 146,274.0	₹ 253,456.3	₹ 199,444.0	₹ 203,726.6
Balances with banks and money at call and short notice......................	59,466.3	126,527.7	142,380.1	80,863.1	112,784.8
Investments..........................	974,829.1	1,116,136.0	1,209,510.7	1,018,500.0	1,295,586.4
Advances	1,954,200.3	2,397,206.4	3,030,002.8	2,686,169.9	3,272,727.9
Fixed assets..........................	23,471.9	27,030.8	29,399.2	29,486.5	29,051.0
Other assets..........................	217,216.4	190,144.1	251,246.1	297,204.2	185,733.9
Total....................................	**₹ 3,379,094.9**	**₹ 4,003,319.0**	**₹ 4,915,995.2**	**₹ 4,311,667.7**	**₹ 5,099,610.6**

Our total assets increased by 18.5% from ₹ 3,379.1 billion as of March 31, 2012 to ₹ 4,003.3 billion as of March 31, 2013, by 22.8% from ₹ 4,003.3 billion as of March 31, 2013 to ₹ 4,916.0 billion as of March 31, 2014 and by 3.7% to ₹ 5,099.6 billion as of September 30, 2014. The increase was primarily on account of the growth in our advances and investments portfolios.

Cash and balances with the RBI decreased by 2.4% from ₹ 149.9 billion as of March 31, 2012 to ₹ 146.3 billion as of March 31, 2013 and increased by 73.3% to ₹ 253.5 billion as of March 31, 2014. At September 30, 2014, our cash and balances with the RBI amounted to ₹ 203.7 billion, down by 19.6% as compared to the position at March 31, 2014. Cash and balances with the RBI include currency on hand as well as the cash balances that we are required to maintain with the Reserve Bank of India to meet our cash reserve ratio requirement. 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 was 4.75% of our demand and time liabilities as of March 31, 2012 which decreased to 4.00% as of March 31, 2013 and remained stable at 4.00% as of March 31, 2014. Balances with banks and money at call and short notice increased by 112.8% from ₹ 59.5 billion in fiscal 2012 to ₹ 126.5 billion in fiscal 2013 and by 12.5% to ₹ 142.4 billion in fiscal 2014. Balances with bank and money at call and short noticed decreased by 20.8% to ₹ 112.8 billion as of September 30, 2014.

Investments increased by 14.5% from ₹ 974.8 billion as of March 31, 2012 to ₹ 1,116.1 billion as of March 31, 2013, by 8.4% to ₹ 1,209.5 billion as of March 31, 2014 and by 7.1% to ₹ 1,295.6 billion as of September 30, 2014 primarily on account of the increase in our investment in government securities (consistent with the increase in our demand and time liabilities).

Advances increased by 22.7% from ₹ 1,954.2 billion as of March 31, 2012 to ₹ 2,397.2 billion as of March 31, 2013, by 26.4% to ₹ 3,030.0 billion as of March 31, 2014 and by 8.0% to ₹ 3,272.7 billion as of September 30, 2014 attributable to the growth in our retail as well as wholesale loan portfolios.

Our fixed assets increased by 15.2% from ₹ 23.5 billion as of March 31, 2012 to ₹ 27.0 billion as of March 31, 2013, by 8.8% to ₹ 29.4 billion as of March 31, 2014 and to ₹ 29.1 billion as of September 30, 2014. We added 518 branches and 1,830 ATM outlets across 446 locations in fiscal 2013 and 341 branches, 513 ATM outlets across 326 locations in fiscal 2014.

Other assets decreased by 12.5% from ₹ 217.2 billion as of March 31, 2012 to ₹ 190.1 billion as of March 31, 2013, increased by 32.1% to ₹ 251.2 billion as of March 31, 2014 and decreased to ₹ 185.7 billion as of September 30, 2014 primarily on account of a decrease in the unrealised gains on foreign exchange and derivative contracts from ₹ 132.8 billion in fiscal 2012 to ₹ 74.6 billion in fiscal 2013 and an increase in the unrealised gains on foreign exchange and derivative contracts to ₹ 139.7 billion in fiscal 2014. The decrease in our other assets from ₹ 251.2 billion as of March 31, 2014 to ₹ 185.7 billion as of September 30, 2014 is primarily attributable to the decline in the unrealised gains from foreign exchange and derivative contracts by 42.4% to ₹ 80.4 billion as of September 30, 2014. 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, 2012, 2013 and 2014 and September 30, 2013 and 2014:

	As of March 31,			As of September 30,	
	2012	2013	2014	2013	2014
			(in millions)		
Capital	₹ 4,693.4	₹ 4,758.8	₹ 4,798.1	₹ 4,782.5	₹ 4,828.6
Reserves and surplus	294,550.4	357,382.6	429,988.4	400,069.2	482,319.4
Employees' stock options (grants) outstanding	3.0	—	—	—	—
Deposits	2,467,064.5	2,962,469.8	3,673,374.8	3,130,111.4	3,906,817.5
Borrowings	238,465.1	330,066.0	394,390.0	393,398.6	385,404.1
Other liabilities and provisions	374,318.5	348,641.8	413,443.9	383,305.9	320,241.0
Total	**₹ 3,379,094.9**	**₹ 4,003,319.0**	**₹ 4,915,995.2**	**₹ 4,311,667.6**	**₹ 5,099,610.6**

Our total liabilities and shareholders' equity increased by 18.5% from ₹ 3,379.1 billion as of March 31, 2012 to ₹ 4,003.3 billion as of March 31, 2013 and by 22.8% to ₹ 4,916.0 billion as of March 31, 2014. This increase was primarily attributable to the growth in our net profit after appropriation of dividends and taxes thereon. Our total liabilities and shareholders' equity stood at ₹ 5,099.6 billion as of September 30, 2014.

Deposits increased by 20.1% from ₹ 2,467.1 billion as of March 31, 2012 to ₹ 2,962.5 billion as of March 31, 2013, by 24.0% to ₹ 3,673.4 billion as of March 31, 2014 and by 6.4% to ₹ 3,906.8 billion as of September 30, 2014. Savings account deposits increased 19.2% from ₹ 740.0 billion in fiscal 2012 to ₹ 882.1 billion in fiscal 2013, by 16.9% to ₹ 1,031.3 billion as of March 31, 2014 and by 7.4% to ₹ 1,108.1 billion as of September 30, 2014. Time deposits increased by 22.3% from ₹ 1,273.0 billion in fiscal 2012 to ₹ 1,557.3 billion in fiscal 2013, by 30.2% to ₹ 2,027.2 billion as of March 31, 2014 and by 9.5% to ₹ 2,220.7 billion as of September 30, 2014. As an accelerated measure to increase foreign currency inflows into the country, the RBI had, in the second half of fiscal 2014, permitted banks in India to raise foreign currency non-resident (FCNR) deposits within a specified time period and in turn swap them into rupees with the RBI at concessional rates. Accordingly, our time deposits, as of March 31, 2014 and September 30, 2014 include US$ 3.4 billion deposits raised under the RBI window for raising FCNR deposits. Our non-interest bearing current account deposits increased by 15.2% from ₹ 454.1 billion in fiscal 2012 to ₹ 523.1 billion in fiscal 2013, by 17.5% to ₹ 614.9 billion in fiscal 2014 and stood at ₹ 578.0 billion as of September 30, 2014. Of our total deposits as of September 30, 2014, retail deposits accounted for over 80% and wholesale deposits accounted for the balance.

Further, our borrowings increased by 38.4% from ₹ 238.5 billion as of March 31, 2012 to ₹ 330.1 billion as of March 31, 2013 and by 19.5% to ₹ 394.4 billion as of March 31, 2014 and decreased by 2.3% to ₹ 385.4 billion as of September 30, 2014. Our long-term borrowings increased in fiscals 2012 and 2013 primarily due to the debt capital instruments we raised during these years. Our long-term borrowings increased in fiscal 2014 primarily due to the debt instruments we raised during the year from our overseas branches. 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 91.0%, short-term borrowings accounted for 2.3% and long-term borrowings accounted for 6.6% as of September 30, 2014.

Other liabilities and provisions decreased by 6.9% from ₹ 374.3 billion as of March 31, 2012 to ₹ 348.6 billion as of March 31, 2013, increased by 18.6% to ₹ 413.4 billion as of March 31, 2014 and decreased by 22.5% to ₹ 320.2 billion as of September 30, 2014. The movement in our other liabilities and provisions is primarily attributable to the unrealised losses in foreign exchange and derivative contracts which decreased from ₹ 127.4 billion in fiscal 2012 to ₹ 70.4 billion in fiscal 2013 and increased to ₹ 126.1 billion in fiscal 2014. This decreased to ₹ 74.6 billion as of September 30, 2014. We present gross unrealised loss on foreign exchange and derivative contracts under other liabilities.

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 5.0%, a minimum total Tier I capital ratio of 6.5% and a minimum total capital ratio of 9.0% as of March 31, 2014. We migrated to the new framework effective April 1, 2013. Previous year figures of regulatory capital and capital adequacy ratios were calculated under the then applicable Basel I and Basel II frameworks. In May 2013, the RBI withdrew the requirement of parallel run and the prudential floor for implementation of Basel II vis-à-vis Basel I.

Our regulatory capital and capital adequacy ratios calculated under Basel III as of March 31, 2014 and as of September 30, 2014 are as follows:

	Basel III	
	March 31, 2014	**September 30, 2014**
	(in millions, except percentages)	
Tier 1 capital	₹ 406,545.2	₹ 449,071.9
Tier 2 capital	148,555.5	148,417.9
Total capital	**₹ 555,100.7**	**₹ 597,489.8**
Total risk weighted assets and contingents	**₹ 3,453,008.5**	**₹ 3,805,443.4**

	Basel III	
	March 31, 2014	September 30, 2014
	(in millions, except percentages)	
Capital ratios of the Bank:		
Tier 1	11.77%	11.80%
Total capital	16.07%	15.70%
Minimum capital ratios required by the RBI:		
Tier 1	6.50%	6.50%
Total capital	9.00%	9.00%

Our regulatory capital and capital adequacy ratios calculated under both the Basel I and Basel II frameworks as of March 31, 2013 are as follows:

	Basel I	Basel II
	2013	2013
	(in millions, except percentages)	
Tier 1 capital	₹ 339,282.0	₹ 338,811.3
Tier 2 capital	175,192.3	175,192.3
Total capital	**₹ 514,474.3**	**₹ 514,003.6**
Total risk weighted assets and contingents	**₹ 3,227,251.5**	**₹ 3,058,788.9**
Capital ratios of the Bank:		
Tier 1	10.51%	11.08%
Total capital	15.94%	16.80%
Minimum capital ratios required by the RBI:		
Tier 1	4.50%	6.00%
Total capital	9.00%	9.00%

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. We have current plans for aggregate capital expenditures of approximately ₹ 8.1 billion in fiscal 2015. This budgeted amount includes ₹ 2.5 billion to expand our branch and back office network, ₹ 0.1 billion to expand our electronic data capture terminal network, ₹ 3.1 billion to upgrade and expand our hardware, data centre, network and other systems, and the balance primarily to add new equipments in and expand our existing premises, to relocate our branches and back-offices. We may use these 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. The RBI imposes limits on our ability to hold overnight positions in foreign exchange and derivatives.

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

	As of March 31,			As of September 30,
	2012	2013	2014	2014
		(in millions)		
Interest rate swaps and forward rate agreements	₹ 2,352,335.4	₹ 2,080,500.3	₹ 1,772,658.7	₹ 1,571,336.9
Forward exchange contracts, currency swaps, currency options and interest rate caps and floors.......................	5,922,972.1	4,679,573.5	4,990,822.9	7,161,821.8
Total..	**₹ 8,275,307.5**	**₹ 6,760,073.8**	**₹ 6,763,481.6**	**₹ 8,733,158.7**

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. The values of guarantees and documentary credits for the dates set forth below were as follows:

	As of March 31,			As of September 30,
	2012	2013	2014	2014
		(in millions)		
Guarantees	₹ 136,830.9	₹ 169,572.3	₹ 249,464.1	₹ 235,207.5
Letters of Credit............	209,182.1	220,595.4	192,095.2	288,095.1
Total	**₹ 346,013.0**	**₹ 390,167.7**	**₹ 441,559.3**	**₹ 523,302.6**

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 counter parties and entities in foreign countries. We monitor such cross-border exposures on an ongoing basis. Our aggregate country risk exposure was 3.2% of our total assets as of September 30, 2014 and our net funded exposure to any other country did not exceed 1% of our total assets. The level of our exposure to countries in Europe (primarily in the nature of commercial credits) which has been impacted by the sovereign debt crisis is not significant; it aggregates to 0.03% of our total assets.

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 Placement Document. Whenever relevant, ratios for the six month periods are presented on an annualised basis. 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 years' figures have been reclassified wherever necessary. 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."

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.

Average Balance of Investments: The average balances of investments are net of average balances of securities sold under repurchase agreements (repo transactions) with the RBI and include average balances of securities purchased under agreements to resell (reverse repo transactions) with the RBI, consistent with our balance sheet presentation, as mandated by the RBI. Accordingly, interest expended on these repo transactions is netted off from interest income on investments, and interest income on the reverse repo transactions is included under interest income on investments for the purposes of the information on average yield/cost. The interest expended on the repo transactions is included under interest expense on borrowings and the interest income on the reverse repo transactions is included under interest income on balances with the RBI and other inter-bank funds in our financial statements for each of the periods presented.

	Year ended March 31,								
	2012			2013			2014		
	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	1,818,831.3	209,349.5	11.5%	2,249,405.1	265,615.9	11.8%	2,733,115.8	315,355.2	11.5%
Investments	793,919.1	58,658.3	7.4%	946,842.9	71,004.2	7.5%	1,101,588.3	81,788.3	7.4%
Others	28,107.8	2,442.1	8.7%	45,637.2	4,182.1	9.2%	82,173.2	3,988.7	4.9%
Total interest-earning assets	**2,640,858.2**	**270,449.9**	**10.2%**	**3,241,885.2**	**340,802.2**	**10.5%**	**3,916,877.3**	**401,132.2**	**10.2%**
Non-interest-earning assets:									
Fixed assets	21,736.6	–		24,683.1	–		28,380.2	–	
Other assets	248,932.1	–		271,656.4	–		286,477.1	–	

	Year ended March 31,								
	2012			2013			2014		
	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)								
Total non-interest earning assets	**270,668.7**	**–**		**296,339.5**	**–**		**314,857.3**	**–**	
Total assets	**2,911,526.9**	**270,449.9**	**9.3%**	**3,538,224.7**	**340,802.2**	**9.6%**	**4,231,734.6**	**401,132.2**	**9.5%**
Interest-bearing liabilities:									
Deposits	2,218,407.1	126,896.7	5.7%	2,662,018.5	163,206.2	6.1%	3,188,716.8	190,481.5	6.0%
Borrowings	223,896.9	14,707.1	6.6%	302,535.1	19,484.8	6.4%	412,632.5	25,824.3	6.3%
Total interest-bearing liabilities	**2,442,304.0**	**141,603.8**	**5.8%**	**2,964,553.6**	**182,691.0**	**6.2%**	**3,601,349.3**	**216,305.8**	**6.0%**
Non-interest-bearing liabilities:									
Capital and reserves	280,474.6	–	–	335,079.9	–	–	406,140.5	–	–
Other liabilities	188,748.3	–	–	238,591.2	–	–	224,244.8	–	–
Total non-interest-bearing liabilities	**469,222.9**	**–**	**–**	**573,671.1**	**–**	**–**	**630,385.3**	**–**	**–**
Total liabilities	**2,911,526.9**	**141,603.8**	**4.9%**	**3,538,224.7**	**182,691.0**	**5.2%**	**4,231,734.6**	**216,305.8**	**5.1%**

	Six months ended September 30,					
	2013			2014		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
	(₹ in million, except percentages)					
Interest-earning assets:						
Advances	2,558,802.4	148,970.6	11.6%	3,082,617.5	177,224.1	11.5%
Investments	1,064,132.4	39,037.9	7.3%	1,283,696.1	49,615.4	7.7%
Others	68,828.7	2,279.6	6.6%	104,194.3	2,600.9	5.0%
Total interest-earning assets	**3,691,763.5**	**190,288.1**	**10.3%**	**4,470,507.9**	**229,440.4**	**10.2%**
Non-interest-earning assets:						
Fixed assets	27,657.7	–		29,142.6	–	
Other assets	277,701.9	–		292,482.9	–	
Total non-interest earning assets	**305,359.6**	**–**		**321,625.5**	**–**	
Total assets	**3,997,123.1**	**190,288.1**	**9.5%**	**4,792,133.4**	**229,440.4**	**9.5%**
Interest-bearing liabilities:						
Deposits	2,985,643.2	88,499.5	5.9%	3,680,177.0	110,686.8	6.0%
Borrowings	394,192.0	12,836.3	6.5%	404,960.3	11,927.5	5.9%
Total interest-bearing liabilities	**3,379,835.2**	**101,335.8**	**6.0%**	**4,085,137.3**	**122,614.3**	**6.0%**
Non-interest-bearing liabilities:						
Capital and reserves	383,388.7	–		460,675.8	–	
Other liabilities	233,899.2	–		246,320.3	–	
Total non-interest-bearing liabilities	**617,287.9**	**–**		**706,996.1**	**–**	
Total liabilities	**3,997,123.1**	**101,335.8**	**5.1%**	**4,792,133.4**	**122,614.3**	**5.1%**

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 2013 vs. Fiscal 2012 Increase (decrease) due to			Fiscal 2014 vs. Fiscal 2013 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	56,266.4	49,559.5	6,706.9	49,739.3	57,117.9	(7,378.6)
Investments	12,345.9	11,298.7	1,047.2	10,784.1	11,604.4	(820.3)
Others	1,740.0	1,523.0	217.0	(193.4)	3,348.1	(3,541.5)

	Fiscal 2013 vs. Fiscal 2012 Increase (decrease) due to			Fiscal 2014 vs. Fiscal 2013 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)			
Total interest income	**70,352.3**	**62,381.2**	**7,971.1**	**60,330.0**	**72,070.4**	**(11,740.4)**
Interest expense:						
Deposits	36,309.5	25,375.3	10,934.2	27,275.3	32,291.4	(5,016.1)
Borrowings	4,777.7	5,165.5	(387.8)	6,339.5	7,090.8	(751.3)
Total interest expense	**41,087.2**	**30,540.8**	**10,546.4**	**33,614.8**	**39,382.2**	**(5,767.4)**
Net interest income	**29,265.1**	**31,840.4**	**(2,575.3)**	**26,715.2**	**32,688.2**	**(5,973.0)**

	Six months ended September 30, 2014 vs. Six months ended September 30, 2013 Increase (decrease) due to		
	Net change	Change in average balance	Change in average rate
		(₹ in million)	
Interest income:			
Advances	28,253.5	30,495.9	(2,242.4)
Investments	10,577.5	8,054.7	2,522.8
Others	321.3	1,171.3	(850.0)
Total interest income	**39,152.3**	**39,721.9**	**(569.6)**
Interest expense:			
Deposits	22,187.3	20,587.2	1,600.1
Borrowings	(908.8)	350.7	(1,259.5)
Total interest expense	**21,278.5**	**20,937.9**	**340.6**
Net interest income	**17,873.8**	**18,784.0**	**(910.2)**

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,			Six months ended September 30,	
	2012	2013	2014	2013	2014
	(₹ in million, except percentages)				
Average interest-earning assets	2,640,858.2	3,241,885.2	3,916,877.3	3,691,763.5	4,470,507.9
Average interest-bearing liabilities	2,442,304.0	2,964,553.6	3,601,349.3	3,379,835.2	4,085,137.3
Average total assets/liabilities	2,911,526.9	3,538,224.7	4,231,734.6	3,997,123.1	4,792,133.4
Average interest-earning assets as a percentage of average total assets	90.7%	91.6%	92.6%	92.4%	93.3%
Average interest-bearing liabilities as a percentage of average total assets	83.9%	83.8%	85.1%	84.6%	85.2%
Average interest-earning assets as a percentage of average interest-bearing liabilities	108.1%	109.4%	108.8%	109.2%	109.4%
Yield on average interest-earning assets(1)	10.2%	10.5%	10.2%	10.3%	10.2%
Cost of funds(2)	5.8%	6.2%	6.0%	6.0%	6.0%
Spread(3)	4.4%	4.3%	4.2%	4.3%	4.2%
Net interest margin(4)	4.4%	4.5%	4.4%	4.4%	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,			Six months ended September 30,	
	2012	2013	2014	2013	2014
	(₹ in million, except percentages)				
Net profit	51,670.9	67,262.8	84,783.7	38,261.8	46,145.0
Average total assets	2,911,526.9	3,538,224.7	4,231,734.6	3,997,123.1	4,792,133.4
Average total shareholders' equity[1]	280,474.6	335,079.9	406,140.5	383,388.7	460,675.8
Return on assets (net profit as a percentage of average total assets)[2]	1.8%	1.9%	2.0%	1.9%	1.9%
Return on equity (net profit as a percentage of average total shareholders' equity)[2].......	18.4%	20.1%	20.9%	19.9%	20.0%
Average total shareholders' equity as a percentage of average total assets.............	9.6%	9.5%	9.6%	9.6%	9.6%
Dividend payout-ratio[3]..........	22.7%	22.8%	22.7%	—	—

Notes:

1. Shareholders' equity is comprised of share capital and reserves and surplus.
2. Ratios for the half-years presented have been disclosed on an annualised basis.
3. Represents the ratio of total dividends payable on equity shares relating to each fiscal year, including the dividend distribution tax, as a percentage of net profit of that year.

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, 2012				At March 31, 2013				At March 31, 2014				At September 30, 2014			
	HTM	AFS	HFT	Total	HTM	AFS	HFT	Total	HTM	AFS	HFT	Total	HTM	AFS	HFT	Total
								(₹ in million)								
Government Securities	469,148.6	224,174.7	68,855.2	762,178.5	537,189.8	182,775.0	129,058.4	849,023.2	704,216.8	171,998.6	70,184.8	946,400.2	736,079.3	242,548.6	37,756.0	1,016,383.9
Other Approved Securities	–	4.9	–	4.9	–	–	–	–	–	–	–	–	–	–	–	–
Shares	–	842.1	–	842.1	–	1,254.1	–	1,254.1	–	1,332.0	25.3	1,357.3	–	1,324.1	–	1,324.1
Debentures and bonds	–	5,200.4	4,428.1	9,628.5	–	10,215.1	12,067.3	22,282.4	–	32,510.2	3,840.0	36,350.2	–	16,142.3	2,000.0	18,142.3
Joint Venture & Subsidiaries........	7,548.2	–	–	7,548.2	7,548.2	–	–	7,548.2	15,413.9	–	–	15,413.9	16,129.6	–	–	16,129.6
Others*	127,545.7	47,531.6	19,549.6	194,626.9	142,708.0	81,567.2	11,752.9	236,028.1	151,191.9	58,173.6	623.6	209,989.1	141,206.5	102,400.0	–	243,606.5
Total	**604,242.5**	**277,753.7**	**92,832.9**	**974,829.1**	**687,446.0**	**275,811.4**	**152,878.6**	**1,116,136.0**	**870,822.6**	**264,014.4**	**74,673.7**	**1,209,510.7**	**893,415.4**	**362,415.0**	**39,756.0**	**1,295,586.4**

* Includes our investments in certificate of deposits, commercial paper, units of mutual funds, pass through certificates, security receipts and deposits with NABARD, SIDBI and NHB under the priority/weaker section lending schemes

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, 2014								At September 30, 2014							
	Up to one year		One to five years		Five to ten years		More than ten years		Up to one year		One to five years		Five to ten years		More than ten years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
								(₹ in million, except percentages)								
Government Securities......	191,294.1	8.5	364,790.9	8.6	276,149.9	9.2	114,165.3	9.1	388,620.6	8.6	230,002.8	8.4	270,599.3	8.8	127,161.2	8.7
Other Debt Securities	58,705.8	9.7	25,718.3	7.7	10,447.3	9.6	47.8	10.1	98,170.9	8.9	20,344.4	7.0	1,951.4	9.4	96.2	9.9
Total	**249,999.9**	**8.8**	**390,509.2**	**8.5**	**286,597.2**	**9.2**	**114,213.1**	**9.1**	**486,791.5**	**8.7**	**250,347.2**	**8.3**	**272,550.7**	**8.8**	**127,257.4**	**8.7**

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 78% of total deposits as of March 31, 2014 as compared to 75% as of March 31, 2013. Deposits raised from retail customers were 81% of total deposits as of September 30, 2014. Wholesale banking deposits represented 19% of total deposits as of September 30, 2014, 22% as of March 31, 2014 and 25% as of March 31, 2013.

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 5.7% in fiscal 2012, 6.1% in fiscal 2013, 6.0% in fiscal 2014 and 6.0% for the six months ended September 30, 2014. The outstanding deposits for the periods set forth are as follows:

	At March 31,						At September 30,	
	2012		2013		2014		2014	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(₹ in million, except percentages)							
Demand deposits	454,078.4	18.4%	523,102.8	17.7%	614,880.4	16.7%	578,028.6	14.8%
Savings deposits	739,980.4	30.0%	882,112.5	29.8%	1,031,333.2	28.1%	1,108,099.8	28.4%
Time deposits	1,273,005.7	51.6%	1,557,254.6	52.6%	2,027,161.1	55.2%	2,220,689.1	56.8%
Total	**2,467,064.5**	**100.0%**	**2,962,469.9**	**100.0%**	**3,673,374.7**	**100.0%**	**3,906,817.5**	**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 but exclude those with the RBI. For the purpose of the below table, short-term borrowings exclude our interbank deposits taken under the credit support annex arrangements.

	Year ended March 31,			Six months ended September 30,	
	2012	2013	2014	2013	2014
	(₹ in million, except percentages)				
Period end	86,742.9	100,221.4	98,251.1	177,954.9	100,022.0
Average balance during the period	90,826.5	112,814.2	197,622.2	167,811.8	123,327.4
Average interest rate during the period(1)	4.3%	4.0%	4.1%	4.9%	4.2%
Average interest rate at period end(2)	4.6%	3.4%	2.5%	3.5%	3.1%

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, 2012, 2013 and 2014 and September 30, 2013 and 2014.

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 September 30, 2014 are ₹ 120.14 billion (as of March 31, 2014: ₹ 124.28 billion), ₹ 40.33 billion (as of March 31, 2014: ₹ 40.15 billion), and ₹ 2.00 billion (as of March 31, 2014: ₹ 2.00 billion), 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	2003-04	2017-18	13.3	6.00	—	—	0.05
Lower Tier II..........	INR	2005-06	2015-16	9.7	7.50	—	—	0.70
Lower Tier II..........	INR	2005-06	2015-16	9.7	7.50	—	—	0.91
Lower Tier II..........	INR	2005-06	2015-16	9.6	7.50	—	—	2.53
Lower Tier II..........	INR	2005-06	2015-16	9.3	7.75	—	—	2.31
Lower Tier II..........	INR	2005-06	2015-16	9.7	8.25	—	—	2.57
Lower Tier II..........	INR	2005-06	2015-16	9.9	8.60	—	—	3.00
Lower Tier II..........	INR	2006-07	2016-17	10.0	8.45	—	—	1.69
Lower Tier II..........	INR	2006-07	2016-17	10.0	9.10	—	—	2.41
Lower Tier II..........	INR	2008-09	2018-19	10.0	10.70	—	—	11.50
Lower Tier II..........	INR	2008-09	2018-19	10.0	9.75	—	—	1.50
Lower Tier II..........	INR	2011-12	2026-27	15.0	9.48	2021-22	—	36.50
Lower Tier II..........	INR	2012-13	2027-28	15.0	9.45	2022-23	—	34.77
Lower Tier II..........	INR	2012-13	2022-23	10.0	8.95	2017-18	—	5.65
Lower Tier II..........	INR	2012-13	2022-23	10.0	9.10	2017-18	—	14.05
Upper Tier II	INR	2006-07	2021-22	15.0	8.80	2016-17	9.55	3.00
Upper Tier II	INR	2006-07	2021-22	15.0	9.20	2016-17	9.95	3.00
Upper Tier II	INR	2006-07	2021-22	15.0	8.95	2016-17	9.70	0.36
Upper Tier II	USD	2006-07	2021-22	15.1	LIBOR+1.2	2016-17	LIBOR+2.2	6.18
Upper Tier II	INR	2007-08	2022-23	15.0	10.84	2017-18	5 Year GSec Yield+ 3.5	1.00
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	2006-07			9.92	2016-17	10.92	2.00

The Upper Tier II U.S. dollar debt depicted in the table above is for an amount of US $100 million raised during fiscal 2007 carrying an interest rate of LIBOR + 1.20%. In the table above, the rupee equivalent is based on the translation rate of ₹ 61.75 = US $1.00. 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, 2012, 2013 and 2014 and the six months ended September 30, 2013 and 2014. 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,			Six months ended September 30,	
		2012	**2013**	**2014**	**2013**	**2014**
		(₹ in million, except percentages)				
(i)	Net profit	51,670.9	67,262.8	84,783.7	38,261.8	46,145.0
(ii)	Depreciation on Bank's property.............	5,425.2	6,516.7	6,716.1	3,429.8	3,249.4
(iii)	Interest expended....................................	149,895.8	192,537.5	226,529.0	108,610.7	123,851.1
(iv)	**Total [(i)+(ii)+(iii)]**	**206,991.9**	**266,317.0**	**318,028.8**	**150,302.3**	**173,245.5**
(v)	Interest coverage ratio [(iv) ÷ (iii)]..........	138.1%	138.3%	140.4%	138.4%	139.9%

Asset Liability Gap

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

	As of September 30, 2014								
	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 ...	63,349.2	9,180.1	6,850.6	10,623.9	**90,003.8**	65,188.2	2,190.3	46,344.3	**203,726.6**
Balances with banks and money at call and short notice....................	59,623.3	10,568.9	31,683.3	5,042.8	**106,918.3**	5,735.0	0.0	131.5	**112,784.8**
Investments	352,050.1	107,562.9	70,681.2	67,060.3	**597,354.5**	346,460.3	66,305.7	285,465.9	**1,295,586.4**
Advances............................	276,130.7	338,721.6	294,241.8	336,672.6	**1,245,766.7**	1,542,371.2	251,245.0	233,345.0	**3,272,727.9**
Fixed assets	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	29,051.0	**29,051.0**
Other assets	48,486.7	14,485.9	7,251.9	1,584.5	**71,809.0**	112,927.5	515.6	481.8	**185,733.9**
Total assets..................	**799,640.0**	**480,519.4**	**410,708.8**	**420,984.1**	**2,111,852.3**	**2,072,682.2**	**320,256.6**	**594,819.5**	**5,099,610.6**
Capital................................	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	4,828.6	4,828.6
Reserves and surplus	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	482,319.4	482,319.4
Deposits..............................	374,944.0	222,805.7	169,731.8	256,370.4	**1,023,851.9**	1,745,903.2	100,083.7	1,036,978.7	3,906,817.5
Borrowings.........................	43,939.0	26,819.5	27,073.1	18,949.6	**116,781.2**	99,813.3	79,314.7	89,495.0	385,404.2
Other liabilities and provisions......................	116,534.5	2,233.6	22,735.1	4,460.6	**145,963.8**	142,555.3	4.3	31,717.5	320,240.9
Total liabilities	**535,417.5**	**251,858.8**	**219,540.0**	**279,780.6**	**1,286,596.9**	**1,988,271.8**	**179,402.7**	**1,645,339.2**	**5,099,610.6**
Liquidity gap	264,222.5	228,660.6	191,168.8	141,203.5	**825,255.4**	84,410.4	140,853.9	(1,050,519.7)	0.0
Cumulative liabilities gap ...	264,222.5	492,883.1	684,051.9	825,255.4	**825,255.4**	909,665.8	1,050,519.7	0.0	
Cumulative liabilities..........	535,417.5	787,276.3	1,006,816.3	1,286,596.9	**1,286,596.9**	3,274,868.7	3,454,271.4	5,099,610.6	
Cumulative liquidity gap as a percentage of cumulative liabilities	49.3%	62.6%	67.9%	64.1%	**64.1%**	27.8%	30.4%	0.0%	

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 September 30, 2014, our gross loan portfolio amounted to ₹ 3,295.4 billion. Almost all our gross loans are to borrowers in India and approximately 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. See the section "Supervision and Regulation". For a description of our retail and wholesale loan products, see the "Business" section.

	At March 31,			**At September 30,**
	2012	**2013**	**2014**	**2014**
		(₹ in million)		
Auto loans...	263,981.5	309,417.9	330,600.3	377,783.8
Personal loans / Credit Cards	208,516.1	276,137.0	326,654.0	371,422.2
Retail business banking.......................	186,386.4	245,164.6	251,911.3	221,615.2
Commercial vehicle and construction equipment finance	130,497.2	161,062.1	145,026.7	139,332.6
Housing loans	142,593.2	167,831.5	193,022.5	195,581.7
Other retail loans.................................	139,290.5	204,263.6	400,418.5	438,604.9
Gross retail loans	**1,071,264.9**	**1,363,876.7**	**1,647,633.3**	**1,744,340.4**
Gross wholesale loans	**897,639.7**	**1,049,184.0**	**1,401,998.8**	**1,551,082.3**
Total gross loans	**1,968,904.6**	**2,413,060.7**	**3,049,632.1**	**3,295,422.7**

Maturity and Interest Rate Sensitivity of Loans

The following tables set forth, the maturity and interest rate sensitivity of our loans as of September 30, 2014:

	At September 30, 2014		
	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	982,738.8	1,043,209.4	15,522.8
Variable rates	263,027.9	759,062.9	231,860.9
Gross loans	**1,245,766.7**	**1,802,272.3**	**247,383.7**

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). We do not consider retail loans a specific industry for this purpose. However, retail business banking loans are classified in the appropriate categories below and loans to commercial vehicle operators are included in land transport below.

	At March 31,						At September 30,	
	2012		2013		2014		2014	
	(₹ in million, except percentages)							
Wholesale Trade	110,828.9	5.6%	178,460.9	7.4%	226,180.7	7.4%	251,667.7	7.6%
Agriculture and Allied Activities	45,591.8	2.3%	51,213.7	2.1%	154,428.4	5.1%	167,942.0	5.1%
Automobile & Auto Ancillary	70,078.3	3.6%	105,027.6	4.4%	143,911.5	4.7%	143,904.9	4.4%
Road Transportation	118,300.6	6.0%	133,108.0	5.5%	129,564.0	4.2%	128,558.1	3.9%
Retail trade	52,373.5	2.7%	71,009.0	2.9%	90,086.2	3.0%	97,589.2	3.0%
Services	38,967.0	2.0%	72,836.0	3.0%	94,942.1	3.1%	95,937.5	2.9%
NBFC/Financial Intermediaries	52,745.2	2.7%	41,761.5	1.7%	66,624.9	2.2%	89,894.4	2.7%
Food & Beverage	46,444.1	2.4%	69,178.9	2.9%	97,038.8	3.2%	89,647.6	2.7%
Power	44135.9	2.2%	49,453.9	2.0%	70,926.8	2.3%	82,604.4	2.5%
Iron & Steel	40,755.1	2.1%	53,220.7	2.2%	81,306.1	2.7%	81,533.2	2.5%
Coal & Petroleum Products	23,948.3	1.2%	48,885.1	2.0%	69,534.7	2.3%	48,762.3	1.5%
Others (including unclassified retail)	1,324,735.9	67.2%	1,538,905.4	63.9%	1,825,087.9	59.8%	2,017,381.4	61.2%
Total	**1,968,904.6**	**100.0%**	**2,413,060.7**	**100.0%**	**3,049,632.1**	**100.0%**	**3,295,422.7**	**100.0%**

As of September 30, 2014, our 10 largest exposures totaled approximately ₹ 508.6 billion and represented 91.6% of our capital funds as per RBI guidelines. As of that date, the largest group of companies under the same management control accounted for 35.7% of our capital funds as per RBI guidelines.

Directed Lending

The RBI has established guidelines requiring Indian banks to lend 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 to certain sectors called "priority sectors." Priority sectors are broadly comprised of agriculture, micro and small enterprises (MSEs), including retail trade, micro credit, education and housing, subject to certain limits.

(I) 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. We have met our overall priority sector lending targets of 40% and our total PSL achievement for fiscal 2014 stood at 46.06%. However, agricultural loans made under the 'direct' category were 12.2% of ANBC, against the requirement of 13.5%, with a shortfall of ₹ 29.03 billion, and advances to sections termed "weaker" by the RBI were 6.25% against the requirement of 10.0%, with a shortfall of ₹ 83.97 billion. We may be required by the RBI to deposit with the Indian Development Banks certain amounts as specified by the RBI due to the shortfall in certain sub-categories of priority sector lending targets. As of March 31, 2014, our total investments as directed by RBI in such deposits were ₹ 151.19 billion yielding returns ranging from 3% to 8.25%.

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

	At March 31,		
	2012	**2013**	**2014**
		(₹ in million)	
Directed lending:			
Agriculture	246,506.4	291,689.2	324,173.2
Micro and small enterprises	248,497.9	296,012.3	363,485.8
Other	148,296.9	184,872.3	214,786.0
Total directed lending	**643,301.2**	**772,573.8**	**902,445.0**

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 regarding the RBI's guidelines regarding the 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,			As of September 30,
	2012	**2013**	**2014**	**2014**
	(₹ in million, except percentages)			
Gross NPAs	19,993.9	23,346.4	29,892.8	33,616.5
Provisions for NPAs	16,470.6	18,656.9	21,692.5	24,443.1
Net NPAs	3,523.3	4,689.5	8,200.3	9,173.4
Gross advances	**1,968,904.6**	**2,413,060.7**	**3,049,632.1**	**3,295,422.7**
Net advances	1,954,200.3	2,397,206.4	3,030,002.8	3,272,727.9
Gross NPAs as a percentage of gross advances	1.0%	1.0%	1.0%	1.0%
Net NPAs as a percentage of net advances	0.2%	0.2%	0.3%	0.3%
Provisions for NPAs as a percentage of gross NPAs	82.4%	79.9%	72.6%	72.7%

As of September 30, 2014, our top ten largest NPAs represented 19.5% 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,			At September 30,
	2012	**2013**	**2014**	**2014**
		(₹ in million)		
Substandard	9,655.0	9,115.7	14,230.3	16,922.8
Doubtful	5,755.4	9,209.6	11,142.3	11,775.1
Loss	4,583.5	5,021.1	4,520.2	4,918.6
Gross NPAs	**19,993.9**	**23,346.4**	**29,892.8**	**33,616.5**

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, 2012			March 31, 2013			March 31, 2014			September 30, 2014		
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**	**Gross Loans**	**Non-Performing Loans**	**Non-performing loans as a % of loans in industry**
						(₹ in million, except percentages)						
Information Technology……	11,004.0	400.0	3.6%	9,947.4	604.2	6.1%	11,014.3	479.8	4.4%	12,191.6	481.5	3.9%
Paper, Printing and Stationery	-	-	-	12,054.3	8.2	0.1%	17,845.6	548.4	3.1%	21,085.7	638.4	3.0%
Iron and Steel	40,755.1	2.8	0.0%	53,220.7	492.6	0.9%	81,306.1	1,811.8	2.2%	81,533.2	2,073.3	2.5%
Engineering	33,487.0	212.3	0.6%	42,721.6	557.1	1.3%	56,000.2	1,220.3	2.2%	61,593.7	1,278.8	2.1%
Mining and Minerals	13,865.0	505.7	3.6%	11,103.0	504.4	4.5%	16,294.8	504.4	3.1%	23,966.7	505.9	2.1%
Road Transportation	-	-	-	133,108.0	1,316.0	1.0%	129,564.0	2,077.9	1.6%	128,558.1	2,239.7	1.7%
Retail Assets	959,079.8	11,249.3	1.2%	1,064,876.5	12,816.9	1.2%	1,249,115.1	17,064.4	1.4%	1,376,660.3	20,170.7	1.5%
Textiles & Garments	17,931.2	1,417.8	7.9%	28,001.1	912.0	3.3%	39,959.8	693.5	1.7%	45,362.9	657.2	1.4%
Gems and Jewellery	28,992.4	134.7	0.5%	41,639.8	5.6	0.0%	26,968.4	253.8	0.9%	25,106.3	248.3	1.0%
NBFC / Financial Intermediaries	52,745.2	1,523.5	2.9%	41,761.5	925.2	2.2%	66,624.9	746.0	1.1%	89,894.4	726.2	0.8%
Wholesale Trade	110,828.9	638.5	0.6%	178,460.9	805.8	0.5%	226,180.7	747.8	0.3%	251,667.7	1,048.6	0.4%
Real Estate & Property Services	-	-	-	-	-	-	46,574.1	136.3	0.3%	51,115.3	134.6	0.3%
Construction and Developers (Infrastructure)	-	-	-	-	-	-	36,086.9	64.0	0.2%	34,504.7	88.4	0.3%
Automobile & Auto Ancillary	70,078.3	281.8	0.4%	105,027.6	254.1	0.2%	143,911.5	360.0	0.3%	143,904.9	353.8	0.2%
Agriculture and Allied Activities	45,591.8	166.9	0.4%	51,213.7	205.5	0.4%	154,428.4	259.1	0.2%	167,942.0	263.2	0.2%
Retail Trade	52,373.5	269.0	0.5%	71,009.0	147.9	0.2%	90,086.2	147.9	0.2%	97,589.2	154.8	0.2%
Chemical and Products	-	-	-	27,094.0	74.2	0.3%	33,400.8	31.3	0.1%	37,083.1	67.9	0.2%
Capital Market Intermediaries	14,519.3	49.1	0.3%	-	-	-	-	-	-	22,183.7	35.7	0.2%
Wood & Products	-	-	-	3,716.0	5.7	0.2%	2,685.6	5.7	0.2%	2,599.3	5.7	0.2%
Power	44,135.9	48.6	0.1%	49,453.9	48.6	0.1%	70,926.8	48.6	0.1%	82,604.4	49.0	0.1%
Plastic & Products	-	-	-	8,893.7	9.4	0.1%	12,622.4	9.2	0.1%	12,667.2	9.2	0.1%
Services	38,967.0	16.3	0.0%	72,836.0	16.3	0.0%	94,942.1	16.3	0.0%	95,937.5	16.3	0.0%
Food and Beverage	46,444.1	829.9	1.8%	69,178.9	571.7	0.8%	97,038.8	482.8	0.5%	89,647.6	1.5	0.0%
Consumer Durables	6,324.2	76.7	1.2%	9,479.8	76.7	0.8%	-	-	-	-	-	-
Telecom	19,053.5	77.0	0.4%	17,239.0	66.1	0.4%	-	-	-	-	-	-
Housing Finance Companies	12,167.8	30.1	0.2%	14,175.2	5.5	0.0%	-	-	-	-	-	-
Drugs and Pharmaceuticals	-	-	-	-	-	-	-	-	-	-	-	-
Fertilisers & Pesticides	18,764.1	1.9	0.0%	17,431.6	1.5	0.0%	-	-	-	-	-	-
Glass & Products	5,105.8	138.4	2.7%	-	-	-	-	-	-	-	-	-
Other Industries	12,099.7	78.6	0.6%	38,076.8	49.6	0.1%	26,361.8	44.4	0.2%	28,336.5	539.6	1.9%
Total gross non-performing loans		**18,148.9**			**20,480.8**			**27,753.7**			**31,788.3**	

Note: The above figures for non-performing loans exclude non-performing investments and non-performing foreign exchange and derivative receivables aggregating ₹ 1,845.0 million, ₹ 2,865.6 million, ₹ 2,139.2

million and ₹ 1,828.1 million as of March 31, 2012, 2013 and 2014 and September 30, 2014, respectively

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,			For the six months ended September 30,	
	2012	**2013**	**2014**	**2013**	**2014**
			(₹ in million)		
Specific provisions at the beginning of the period....	13,979.3	16,470.6	18,656.9	18,656.9	21,692.5
Provisions made during the period, net.............	11,904.5	13,705.8	17,852.7	9,310.0	9,914.0
Provisions no longer required on account of write-offs....................	9,413.2	11,519.5	14,817.1	6,221.9	7,163.4
Specific provisions at the end of period	**16,470.6**	**18,656.9**	**21,692.5**	**21,745.0**	**24,443.1**

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 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.

Provisions made in excess of these regulatory requirements or provisions which are not made with respect to specific NPAs are categorised as floating provisions. Creation of floating provisions is considered by the Bank up to a level approved by the Board of Directors.

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

	At March 31,			At September 30,
	2012	**2013**	**2014**	**2014**
		(₹ in million)		

Standard asset provisions	9,107.9	10,357.4	12,605.4	13,772.5
Floating provisions	14,350.3	18,350.3	18,350.3	17,300.3
Total	**23,458.2**	**28,707.7**	**30,955.7**	**31,072.8**
Provisions for NPAs, standard asset provisions and floating provisions as a percentage of gross NPAs	199.7%	202.9%	176.1%	165.1%

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 categorized 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.

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 (including applications received and under process for restructuring) aggregated to ₹ 4,598.7 million and were 0.1% of gross advances as of September 30, 2014.

Capital Adequacy

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

	At March 31,			At September 30,
	2012	**2013**	**2014**	**2014**
	(₹ in million, except percentages)			
Common equity tier I (CET I)	*	*	406,545.2	449,071.9
Additional tier I capital	*	*	–	–
Tier I capital	280,674.9	338,811.3	406,545.2	449,071.9
Tier II capital	118,989.7	175,192.3	148,555.5	148,417.9
Total capital	399,664.6	514,003.6	555,100.7	597,489.8
Risk weighted assets	**2,418,963.2**	**3,058,788.9**	**3,453,008.5**	**3,805,443.4**
CET I ratio (%)	*	*	11.77%	11.80%
Tier I capital ratio	11.60%	11.08%	11.77%	11.80%
Tier II capital ratio	4.92%	5.72%	4.30%	3.90%
Total capital ratio	**16.52%**	**16.80%**	**16.07%**	**15.70%**

*Not applicable

Notes:

1. Tier I and Tier II capital, risk weighted assets and capital adequacy ratios for fiscals 2012 and 2013 have been calculated in accordance with RBI guidelines (New Capital Adequacy Framework, generally referred to as Basel II) and capital adequacy ratios for fiscal 2014 and half-year ended September 30, 2014 have been calculated in accordance with RBI guidelines (Basel III Capital Regulations, generally referred to as Basel III) and therefore are not directly comparable. See the section "Supervision and Regulation".

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,			At September 30,
2012	**2013**	**2014**	**2014**
(₹ in million)			

Credit risk RWA	2,160,388.2	2,660,409.1	3,034,264.8	3,342,121.2
Market risk RWA..............................	51,062.0	151,861.4	113,673.2	94,902.3
Operational risk RWA	207,513.0	246,518.4	305,070.5	368,419.9
Total risk weighted assets...........	**2,418,963.2**	**3,058,788.9**	**3,453,008.5**	**3,805,443.4**

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 2013-14, Report on Trend and Progress of Banking in India 2012-13 and the accompanying Explanatory Notes, Financial Stability Report (Including Trend and Progress of Banking in India 2013-14) December 2014 and Statistical Tables Relating to Banks in India, 2013-14 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 market prices of an estimated ₹ 113.6 trillion for fiscal year 2014. (*Source: Summary of macroeconomic aggregates at current prices, 1950-51 to 2013-14, Ministry of Statistics and Programme Implementation available at http://mospi.nic.in as of 5 November 2014*.) It is one of the fastest growing major economies in the world, although growth decelerated in 2012-2013 to a 10-year low of approximately 4.5% and improved marginally to approximately 4.7% in 2013-2014 due to structural constraints, decreased business confidence and weak external demand, after having averaged approximately 8.8% during 2005-06 to 2010-11. (*Source: RBI Annual Report 2013-14*.) 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 work force and well established legal systems. Overall, India attracted FDI of approximately U.S.$34.3 billion in fiscal year 2013 and U.S.$36.4 billion in fiscal year 2014 as compared to an average of U.S.$21.1 billion from fiscal year 2001 through fiscal year 2012. (*Source: Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Government of India – Fact Sheet on FDI from April 2000 to August 2014*.) In 2013, China and India sustained real GDP growth rates of 7.67% and 5.02%, respectively, which are among the highest of any economy in the world. *(Source: The World Bank Database.)*

Fiscal 2014 was a challenging year for the Indian economy driven by subdued domestic growth, extreme volatility in the exchange rate and a much higher than expected spike in inflation rates. Domestic GDP growth showed a marginal improvement from 4.5% in fiscal 2013 to 4.7% in fiscal 2014, primarily attributable to an increase in agricultural growth from 1.4% in fiscal 2013 to 4.7% in fiscal 2014. *(Source: RBI Handbook of Statistics of Indian Economy 2013-14.)* Growth in both the industrial sector and service sector remained lackluster due to a weakness in both consumption and investment demand. A major challenge for the economy in the first half of fiscal 2014 was the weakening of the Indian rupee against the U.S. dollar driven by concerns about the domestic macroeconomic landscape that made investors somewhat circumspect of investing in domestic assets. Anxiety about the future direction of U.S. monetary policy due to the U.S. Federal Reserve preparing the markets for a gradual wind-down of its third round of quantitative easing (QE3) resulted in an overall outflow of funds from European markets. The Indian rupee also fell victim to this rotation of funds away from European markets and into US markets. To counter pressures of currency depreciation, the RBI in July 2013 introduced a series of measures to tighten domestic liquidity in order to raise short-term rates to provide the Indian rupee with some yield advantage. These measures resulted in an inversion of the yield curve. The RBI also provided various incentives to commercial banks to raise foreign currency non-resident (FCNR) deposits that resulted in foreign currency flows of U.S.$34 billion into the country. The RBI gradually removed these emergency measures when the exchange rate showed some signs of stability in the second half of fiscal 2014. However, the RBI increased the repo rate by approximately 75 bps over the course of fiscal 2014 in part to counter the exchange rate depreciation as well as to fight inflationary pressures as the consumer price index (CPI) inflation touched a high of 11.2% in November 2013. *(Source: RBI Annual Report 2013-14.)*

Indications of an improvement in the overall domestic macroeconomic landscape have been visible over the fourth quarter of fiscal 2014 and the first quarter of fiscal 2015, which has helped to stabilize the Indian rupee. Inflationary pressures, both in terms of the CPI and the wholesale price index, have subsided as a result of a decline in food price inflation. The government's efforts to ramp up the local supply of food grains appear to have helped in reining in overall inflation rates. For example, CPI inflation has fallen from a high of 11.2% in November 2013 to 6.5% in September 2014. (*Source: RBI Bulletin available at http://www.rbi.org.in.)* The government appears to be firmly committed to fiscal consolidation by reducing the fiscal deficit from 4.5% in fiscal 2014 to 4.1% in fiscal 2015. Further, there has been an improvement in the current account deficit which has decreased from 4.8% of GDP in fiscal 2013 to 1.7% of GDP in fiscal 2014 and which is expected to widen marginally to 2.2% of GDP in fiscal 2015. The current account deficit was 1.7% of GDP at the end of the first quarter of fiscal 2015. The improvement in the current account position can partially be attributed to the reduction in the trade deficit as imports fell by 7.2% in fiscal 2014. The ongoing domestic growth prospects are based on expectations that the new government, which took office in May 2014, with a strong mandate could spur the reform process to address the structural bottlenecks that have hampered growth over fiscal 2012 to fiscal 2014. This may in turn help to revive growth prospects in the Indian economy and enable domestic growth to increase to around 5.5% in fiscal 2015 according to the RBI.

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) and its associates, nationalised banks, private sector banks, foreign banks and regional rural banks. (In RBI reports, regional rural banks are usually excluded in tables providing details of individual banks and their summary tables at bank group level.) 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 June 2014, there were 146 scheduled commercial banks in the country and commercial banks had a nationwide network of 117,847 offices with 64.52% of the offices in rural and semi-urban areas. (*Source: RBI, "Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks" as of June 2014, available at http://www.rbi.org.in/*) As of fiscal year 2014, scheduled commercial banks, not including regional rural banks, had approximately ₹ 77.4 trillion of deposits and approximately ₹ 60.1 trillion of loans and advances. Aggregate deposits for all scheduled commercial banks had registered an annual growth rate of 14.6% while the loans and advances for all scheduled commercial banks had increased by 14.3%. (*Source: Reserve Bank of India – Bulletin Weekly Statistical Supplement dated 11 April 2014*.) The credit deposit ratio for all scheduled commercial banks stood at 77.7. (*Source: Reserve Bank of India – Bulletin Weekly Statistical Supplement dated 11 April 2014.*) As of October 2014, aggregate deposits for all scheduled commercial banks were ₹ 82.8 trillion and loans and advances for all scheduled commercial banks were ₹ 62.7 trillion. (*Source: Reserve Bank of India – Bulletin Weekly Statistical Supplement dated 14 November 2014.)*

Constituents of the Indian Banking Industry

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 the SBI and its six associate banks, 20 nationalised banks and 64 regional rural banks. As of fiscal year 2013, public sector banks had 72,661 branches. SBI and its associates had 20,181 branches and nationalised banks had 52,480 branches. (*Source: RBI Report on Trend and Progress of Banking in India 2012-13*.). As of fiscal year 2014, public sector banks in India had total deposits of approximately ₹ 65,890 billion and loans and advances of approximately ₹ 51,011 billion. SBI and its associates accounted for approximately 21.4% of the total deposits and approximately 23.2% of the loans and advances and nationalised banks accounted for approximately 55.8% of the total deposits and approximately 52.5% of the loans and advances of the scheduled commercial banks. The public sector banks, in total, accounted for approximately 77.2% of the deposits and approximately 75.7% of the advances of the scheduled commercial banks. These figures do not include regional rural banks. (*Source: Statistical Tables Relating to Banks in India, 2013-14*.) Regional rural banks 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.

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". There were seven New Private Sector Banks operating as of fiscal year 2013. In addition, 13 private sector banks existing prior to July 1993 were operating as of fiscal year 2013. These are collectively known as the "Old 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*.)

As of fiscal year 2014, private sector banks accounted for approximately 18.7% of the deposits and approximately 19.9% of the advances of the scheduled commercial banks. These figures do not include regional rural banks. (*Source: Statistical Tables Relating to Banks in India, 2013-14*.)The Union Finance Minister made an announcement in his budget speech for 2010-11 that there was a need to extend the geographic coverage of banks and improve access to banking services and the RBI considered whether to begin granting additional banking licences to private sector players.

Following the budget announcement, the New Banks Licensing Guidelines were issued by the RBI in February 2013 specifying that select entities or groups in the private sector, entities in the public sector and non-banking financial companies with a successful track record of at least 10 years would be eligible to promote banks. Further, the RBI has published certain criteria for ascertaining whether a bank is 'fit and proper' for the grant of a licence. The new banks can be set up only through a non-operative financial holding company registered with the RBI and the initial minimum paid up equity voting capital requirement for the applicants is ₹ 5.0 billion, with foreign shareholding not exceeding 49.0% for the first five years. The applicants were required to submit applications for these licences to the RBI by 1 July 2013 and 26 applications were reviewed by the RBI. These applications were screened by the RBI before being forwarded to the RBI's High Level Advisory Committee (HLAC) for further scrutiny, which submitted its recommendations to the RBI on 25 February 2014.

On 2 April 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. The "in-principle" approval is valid for a period of 18 months and the applicants will not be permitted to engage in banking business until a regular licence is issued after satisfaction of the conditions stipulated by the RBI. In the future, the RBI intends to issue licences on an on-going basis, subject to the RBI's qualification criteria.

Further, on 17 July 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. In its bi-monthly policy announcement on 30 September 2014, the RBI announced that, based on the feedback received, final guidelines would be issued by the end of November 2014. *(Source: RBI Press Release available at http://www.rbi.org.in dated 17 July 2014.)*

Foreign banks

As of fiscal year 2013, there were 43 foreign banks with 327 offices operating in India. (*Source: RBI website, data as of September 30, 2014*.) As of fiscal year 2014, foreign banks accounted for approximately 4.1% of deposits and approximately 4.3% of aggregate advances of scheduled commercial banks (not including regional rural banks). (*Source: Statistical Tables Relating to Banks in India, 2013-14*.)

As part of the liberalisation process, the RBI has permitted foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. Foreign banks operate in India through branches of the parent bank. The primary activity of most foreign banks in India has been in the corporate segment. However, in recent years, some of the larger foreign banks have started to put a greater emphasis on consumer financing based on the growth opportunities in India.

In 2009, as part of the liberalisation 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 to 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 to be systemically important if the assets on its Indian balance sheet (including credit equivalent of off-balance sheet items) equals 0.25% of the total assets (inclusive of credit equivalents of off-balance sheet items) for all scheduled commercial banks in India as of 31 March 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 74.0% 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 from 24 September 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.

Key Banking Industry Trends in India

The current weak global growth outlook may prolong an easy monetary policy stance in most advanced economies. On the domestic front, macroeconomic vulnerabilities have abated significantly in recent months on the back of an improvement in growth outlook, a decrease in inflation, recovery in the external sector and increased political stability. However, growth in the banking sector and activity in primary capital markets remain subdued due to moderate investment intentions. Sustaining the turnaround in business sentiment remains contingent on outcomes on the ground. (*Source: Financial Stability Report (Including Trend and Progress of Banking in India 2013-14) December 2014.*)

Economic activity in India gained pace in the first quarter of fiscal year 2015, but its momentum appears to have slackened in the second quarter. With the improvement in business confidence and favourable conditions for increased investment demand, real GDP growth is expected to pick up towards the close of 2014. The increase in real GDP is aided by a firming global recovery, which in turn supports exports and spurs capital inflows driven by the ongoing search for yields in international financial markets. With the exception of the impact of weather-related food supply disruptions, inflation has moderated in a broad-based manner and is set to follow the expected trajectory throughout 2014-15. Elevated inflation expectations of households and ongoing risks from high input costs and sticky wages, however, present challenges to reducing inflation to 6% by January 2016 along the committed glide path. *(Source: RBI Monetary Policy Report-September 2014.)*

The growth of the Indian banking sector moderated further during 2013-14. Profitability declined on account of higher provisioning on banks' delinquent loans and lacklustre credit growth and, while the asset size of the non-deposit taking, systemically important non-banking financial companies (NBFCs) showed an expansion, the asset quality of such NBFCs deteriorated further during 2013-14. (*Source: Financial Stability Report (Including Trend and Progress of Banking in India 2013-14) December 2014.*)

Consumer credit

The consumer credit market in India has undergone a significant transformation over the last decade and has experienced rapid growth due to consumer credit becoming cheaper, more widely available and increasingly a more acceptable avenue of funding for consumers. The market has changed dramatically due to the following factors:

- increased focus by banks and financial institutions on consumer credit, resulting in a market shift towards regulated players from unregulated moneylenders/financiers;
- increasing desire by consumers to acquire assets such as cars, goods and houses on credit;
- fast emerging middle class and growing number of households in a bank's target segment;
- improved terms of credit;
- legislative changes that offer greater protection to lenders against fraud and potential default, increasing the incentive to lend; and
- growth in assignment and securitisation arrangements for consumer loans, enabling non-deposit based entities to access wholesale funding and compete in the market, based on the ability to originate, underwrite and service consumer loans.

Commercial Banking Trends

Credit

As of fiscal year 2014, the credit-deposit ratio for scheduled commercial banks was 77.7 as compared to 78.0 as of fiscal year 2013. The aggregate deposits increased by 14.6% while loans and advances increased by 14.3% in fiscal year 2014. (*Source: Reserve Bank of India – Bulletin Weekly Statistical Supplement dated 11 April 2014*.)

Fiscal year 2014 was marked by a slight improvement in the overall growth of credit. While credit to agriculture and allied activities and the service sector showed an improved growth, the industry sector saw a decline in comparison to fiscal year 2013. The slowdown within the industry sector was mainly seen in the petroleum, coal products & nuclear fuels, chemicals & chemical products and mining & quarrying areas. There was only a slight slowdown in the growth of credit to the infrastructural area within the industry sector. The increase in credit to non-banking financial companies (NBFCs) and commercial real estate and other services was an important reason for the overall increase in the growth of services sector credit. By contrast, trade was one of the main sectors which saw a decline in growth in fiscal year 2014. (*Source: RBI Data on Sectoral Deployment of Bank Credit – March 2014.)*

There was a sharp rise in the growth of priority sector credit in fiscal year 2014 to 22.0% as compared to previous year's growth of 8.4%. The growth in priority sector credit well surpassed the growth in overall credit.

In fiscal year 2014, credit to priority sectors by public and private sector banks was 39.4% and 43.9% of adjusted net bank credit or credit equivalent of off-balance sheet exposure, whichever is higher, respectively, indicating a shortfall against the overall priority sector lending target of 40.0%. *(Source: RBI Annual Report 2014.)*

Interest rates and inflation

The monetary policy stance of the RBI changed significantly over three distinct phases during 2013-14. The first phase, monetary easing, that started in 2012-13 continued until mid-July 2013. During the second phase of 2013-14, the RBI undertook exceptional monetary measures in order to address exchange market pressures. However, these monetary measures were normalised quickly by the end of November 2013. In the third phase, monetary policy became increasingly anti-inflationary as a result of CPI inflation and inflation expectations persisting at elevated levels. The monetary policy framework witnessed key changes during the year reflecting implementation of some of the recommendations of the Expert Committee to Revise and Strengthen the Monetary Policy Framework. Those recommendations include: adopting the CPI (combined) as the key metric of inflation for conducting monetary policy, explicit communication of a glide path for disinflation, transition to a bi-monthly monetary policy cycle beginning in 2014-15, progressive reduction in access to overnight liquidity under the liquidity adjustment facility at the fixed repo rate and a corresponding increase in access to liquidity through term repos and introduction of variable tenor term repos. *(Source: RBI Annual Report 2014.)*

According to the most recently available data, WPI inflation was recorded at 2.4% in September 2014, slowing from a 3.7% in August 2014. It is the lowest rate since October 2009, mainly due to a fall in the prices of food and petrol. Further, CPI inflation also slowed for the second consecutive month to 6.5% in September 2014, from a revised 7.7% in August 2014. This also is the lowest rate on record and is largely a result of lower food prices. (*Source: RBI Bulletin dated November 10, 2014 available at http://www.rbi.org.in*.)

Earlier, in response to increased inflation, in fiscal years 2011 and 2012, the RBI had increased its policy rates 13 times, enacting gradual increases in the repo rate from 5.00% on 31 March 2010 to a peak of 8.50% with effect from 25 October 2011. However, the RBI cut the repo rate to 8.00% effective 17 April 2012 and to 7.75% effective 29 January 2013. RBI again decreased the repo rate to 7.50% on 19 March 2013 and then to 7.25% effective 3 May 2013. However, RBI reversed the trend on 20 September 2013 by raising the repo rate to 7.50% in response to the high inflation. RBI further increased the repo rate to 7.75% and 8.00% on 29 October 2013 and 28 January 2014, respectively, and reduced it to 7.75% effective January 15, 2015. The reverse repo rate has been pegged at 1.0% below the repo rate since March 2011 and thus has followed a similar trend since that time. The RBI reduced the marginal standing facility (MSF) by 125 basis points in three tranches from 10.25% to 9.00%, the last tranche being effective from 28 January 2014. The MSF rate stood at 8.75% in line with the drop in the repo rate effective January 15, 2015. During fiscal year 2011, the RBI increased the cash reserve ratio (CRR) from 5.75% to 6.00%, but in fiscal year 2012, it lowered the CRR to 4.75% and on 29 January 2013, to 4.00% with effect from 9 February 2013. (*Source: RBI Notifications available at http://www.rbi.org.in*.)

In the first bi-monthly monetary policy statement for fiscal 2015 announced on 1 April 2014, the RBI kept the repo rate unchanged at 8.0%. The liquidity provided under the seven day and 14 day term repos was increased from 0.5% of demand and time liabilities to 0.75%. In the second bi-monthly monetary policy statement announced on 3 June 2014, the RBI reduced the statutory liquidity ratio by 50 basis points from 23.0% to 22.5% of demand and time liabilities while keeping the repo rate and cash reserve ratio unchanged at 8.0% and 4.0%, respectively. In the third bi-monthly monetary policy statement announced on 5 August 2014, the RBI further reduced the statutory liquidity ratio by 50 basis points to 22.0% of demand and time liabilities and kept the repo rate and cash reserve ratio unchanged. Also, the holding of total government securities forming part of statutory liquidity ratio in the held-to-maturity category were reduced from 24.5% of net demand and time liabilities to 24.0% with effect from 9 August 2014. In its press release dated January 15, 2015, the RBI reduced the repo rate to 7.75% with immediate effect. In its press release dated February 3, 2015, the RBI reduced the statuory liquidity ratio to 21.5% effective fortnight beginning February 7, 2015.

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. This, combined with freeing of interest rates on export credit in foreign currency, effective 5 May 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 25 October 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.

Asset quality

The gross NPA ratio at the aggregate level stood at 4.1% as of 31 March 2014 up from 3.6% as of 31 March 2013. This deterioration in NPAs occurred for both public sector banks and foreign banks. In March 2014, the gross and net NPA ratio for public sector banks stood at 4.7% and 2.7%, respectively. Private sector banks' gross NPA ratio declined despite economic downturn to 1.9% in March 2014 from 2.5% in March 2011. Their net NPA ratio has marginally increased from 0.6% in March 2011 to 0.7% in March 2014. *(Source: RBI Annual Report 2014.)*

The gross NPA ratio of scheduled commercial banks (SCBs) increased to 4.5% in September 2014 from 4.1% in March 2014. The net NPA ratio also increased to 2.5% in September 2014 from 2.2% in March 2014. Stressed advances (defined as gross NPAs plus restructured standard advances) increased to 10.7% of total advances from 10.0% between March and September 2014. Public sector banks continued to record the highest level of stressed advances at 12.9% of their total advances in September 2014, followed by private sector banks at 4.4%.

Of the total number of cases referred to, or approved under CDR, 49% have been successfully implemented to date. Further, the number of cases referred to the CDR cell has fallen in recent months. One of the reasons for this reduction could be the RBI's move to allow banks to restructure their large credits with aggregate exposure of ₹ 1 billion and above outside CDR under the Joint Lenders' Forum, which became effective on April 1, 2014.

Five sub-sectors (infrastructure, iron and steel, textiles, mining (including coal) and aviation) had significantly higher levels of stressed assets and thus these sub-sectors were identified as 'stressed' sectors. These five sub-sectors had 52% of total stressed advances of all SCBs as of June 2014, whereas, in the case of public sector banks, total stressed advances was at 54%. The data on exposure to infrastructure as of September 2014 shows that the exposure of SCBs to the sector further increased to 15.6% of their total loans. Exposure to the energy segment, largely comprising of electricity, oil and gas, constituted the major portion (around 58%) of banks' aggregate exposure to infrastructure sectors, followed by transport (around 21%) and telecommunications (around 10%). Among bank groups, exposure of public sector banks to infrastructure stood at 17.5% of their gross advances as of September 2014. This was significantly higher than that of private sector banks (at 9.6%) and foreign banks (at 12.1%). (*Source: Financial Stability Report (Including Trend and Progress of Banking in India 2013-14) December 2014.*)

Income and profitability

During fiscal year 2014, the growth in net profits of SCBs, which has been on a declining trend since fiscal year 2012, turned negative. SCBs as a whole reported net profits of approximately ₹ 809 billion, indicating a decline of 11.3% compared to the previous year. This decline in net profits was primarily the result of higher provisioning on banks' delinquent loans, which registered an increase of nearly 34% coupled with growth in interest expenses of around 12% during the year. This, in turn, impacted banks' return on assets (RoA) and return on equity (RoE). In addition, banks also witnessed a decline in their spread and net interest margin.

Following a contraction in net profit during fiscal year 2014, SCBs as a whole recorded positive growth in net profit of 10.0% in September 2014 as a result of significantly lower growth in both provisioning and write-offs. The RoA of all SCBs remained at 0.8% as of September 2014, while the RoE of all SCBs improved to 9.9% as of September 2014 from 9.5% as of March 2014. (*Source: Financial Stability Report (Including Trend and Progress of Banking in India 2013-14) December 2014.*)

Impact of Liberalisation on the Indian Financial Sector

Until 1991, the financial sector in India was heavily controlled and commercial banks and long-term lending institutions, the two dominant financial intermediaries, had mutually exclusive roles and objectives and operated in a largely stable environment, with little or no competition. Long-term lending institutions were focused on the achievement of the Government's various socio-economic objectives, including balanced industrial growth and employment creation, especially in areas requiring development. Long-term lending institutions were extended access to long-term funds at subsidised rates through loans and equity from the Government and from funds guaranteed by the Government originating from commercial banks in India and foreign currency resources originating from multilateral and bilateral agencies.

The focus of the commercial banks was primarily to mobilise household savings through demand and time deposits and to use these deposits to meet the short-term financial needs of borrowers in industry, trade and agriculture. In addition, the commercial banks provided a range of banking services to individuals and business entities. However, since 1991, there have been comprehensive changes in the Indian financial system. Various financial sector reforms, implemented since 1991, have transformed the operating environment of banks and long-term lending institutions. In particular, the deregulation of interest rates, the emergence of a liberalised domestic capital market, and the entry of new private sector banks, along with the transformation of long-term lending institutions into banks, have progressively intensified the competition among banks.

Impact of Global Macroeconomic Events on India

The bankruptcy of Lehman Brothers in September 2008 led to a rapid deterioration of the global macroeconomic environment and a sharp moderation in global economic activity. In India, this impact was felt mainly through its trade and capital channels. As a result, there was a sharp reduction in domestic liquidity between September and October 2008. The decline in global commodity prices led to a moderation in inflation and facilitated substantial reductions in key policy rates and reserve requirements. The RBI reduced repo and reverse repo rates and the statutory liquidity ratio (SLR) and CRR requirements to ease the liquidity situation, especially for non-banking financial companies and mutual fund companies.

As reported by the RBI in its financial stability report for December 2011, the Indian banking sector is subject to economic forces that are affecting the health of the sector as a whole. The growing linkages and integration of the Indian economy and its financial system with the global economy are causing the banking system to face headwinds from uncertainty related to government finances and the banking sector in the Eurozone area and the United States. The RBI in its financial stability report for December 2012 has re-iterated that global risks remain elevated due to delays in resolution of issues like the Eurozone debt crisis. The uncertainty of the global economic environment is expected to continue as economic growth slows across many regions in the world. The RBI’s financial stability report for 2011 noted that Indian banks have negligible exposures to the most affected European countries and that direct effects from uncertainty related to the Eurozone debt crisis are expected to remain muted. However, funding constraints in international financial markets could impact both the availability and cost of foreign funding for banks and corporates. Further, India’s economic growth has been affected through the trade and finance channels. Domestic demand and domestic corporate growth have recently begun to slow, while Indian interest rates have risen and inflationary pressures have increased. According to the RBI’s financial stability report for 2012, the evolving global risks such as the fall in global growth and sovereign risk/contagion and a host of Indian domestic factors like the increasing fiscal deficit, deterioration in the growth outlook and bank asset quality are the major risks to the banking sector though the resilience of the banking system to credit, interest rate, equity and foreign exchange shocks remain satisfactory.

The Federal Reserve Bank of the United States started tapering its buying of treasuries in early 2014 and announced at the end of October 2014 that it would be ending its bond purchases. This wind down of the bond purchasing program has resulted in some exchange rate volatility of various emerging market currencies, including the rupee. In response, the RBI began tightening rates and liquidity in July 2013, which resulted in a spike in short and long term yields of corporate bonds and government securities. The RBI has since normalised liquidity and interest rates.

In addition, global financial markets seem to have largely internalised tapering in the Federal Reserve Bank’s bond purchase programme and the focus has shifted to the likely path of policy interest rates in advanced economies (AEs), particularly the US. In the recent period, emerging market and developing economies (EMDEs) experienced a significant spillover of changes in the monetary policy stance in AEs. Against this backdrop, growth-inflation dynamics seem to have turned less favourable for EMDEs, increasing their vulnerability to spillovers from AEs.

Recent Developments in the Indian Banking Industry

April 2014

- The RBI granted “in-principle” approval to 2 out of 26 applicants to set up banks under the Guidelines on Licensing of New Banks in the Private Sector issued on 22 February 2013. The RBI stated that its approach was conservative and that, going forward it intended to give licences more regularly, including to some entities whose application for a licence had been unsuccessful in this round.

- The RBI issued a circular for simplification of KYC related procedures for opening bank accounts by FPIs. The RBI has advised that those FPIs who have been duly registered in accordance with SEBI guidelines and have undergone the required KYC due diligence/verification prescribed by SEBI through a custodian/intermediary regulated by SEBI, banks may rely on the know-your-customer verification done by the third party (i.e. the custodian/SEBI regulated intermediary), subject to conditions laid down in the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

- The RBI issued a circular whereby it established that banks, including overseas branches or subsidiaries of Indian banks, shall not issue standby letters of credit, guarantees, letter of comforts on behalf of overseas joint ventures, wholly owned subsidiaries or wholly owned step-down subsidiaries of Indian companies for the purpose of raising loans or advances of any kind from other entities except in connection with the ordinary course of overseas business. Further, while extending fund or non-fund based credit facilities to aforementioned entities in connection with their business, either through branches in India or through branches or subsidiaries abroad, banks should ensure effective monitoring of the end use of such facilities and its conformity with the business needs of such entities.

May 2014

- The RBI issued a circular whereby it has decided to include the outstanding deposits placed by scheduled commercial banks (SCBs) under the rural infrastructure development fund (RIDF) and certain other funds established with NABARD. The change was made on account of SCBs shortfall in lending to the priority sector as part of indirect agriculture under the priority sector classifications. Accordingly, the outstanding deposits as of 31 March of the current year under RIDF, the Warehouse Infrastructure Fund, the Short Term Co-operative Rural Credit Refinance Fund and the Short Term RRB Fund with NABARD will be treated as part of indirect agriculture and will count towards overall priority sector target achievement. The outstanding deposits under the above funds with NABARD as of the preceding 31 March will form part of ANBC.

June 2014

- The RBI announced the Guidelines on Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards. The LCR would be binding on banks from 1 January 2015. With a view to providing a transition time to banks, the LCR requirement would be a minimum of 60% for the 2015 calendar year beginning 1 January 2015 and would rise in equal steps to reach 100% on 1 January 2019. *(Source: RBI Circular DBOD.BP.BC.No.120 / 21.01.098/2013-14 dated 9 June 2014.)*

July 2014

- The RBI released the Draft Guidelines for "Licensing of Payments Banks" and Draft Guidelines for "Licensing of Small Banks". Both payments banks and small banks are "niche" or "differentiated" banks; with the common objective of furthering financial inclusion. Whereas small banks will provide a whole suite of basic banking products, such as deposits and supply of credit (though in a limited area of operation), payments banks will provide a limited range of products, such as acceptance of demand deposits and remittances of funds, but will have a widespread network of access points, particularly to remote areas, either through their own branch network or through business correspondents or networks provided by others. Payments banks will add value by adapting technological solutions to lower costs. *(Source: RBI Press Release available at http://www.rbi.org.in dated 17 July 2014.)*

- The RBI issued a number of instructions to banks specifying the operational guidelines and incentives in the form of flexibility in loan structuring and refinancing, and also granting exemptions from regulatory pre-emptions, such as the CRR and SLR and priority sector lending. The objective of these instructions is to mitigate problems with asset-liability management faced by banks in extending project loans to infrastructure and core industries sectors, and also to ease the raising of long-term resources for project loans to infrastructure and affordable housing sectors. *(Source: RBI Press Release available at http://www.rbi.org.in dated 15 July 2014.)*

- A report by a RBI panel recommended that banks gradually build countercyclical capital buffers (CCCB) of up to 2.5% of the risk-weighted assets (RWAs) to guard against losses resulting from periods of excess credit growth. The panel stated that the CCCB be in the form of common Tier I equity, adding that, for all banks operating in India, the CCCB should be maintained on an individual as well as consolidated basis. The credit-to-GDP ratio would be used to make decisions relating to the CCCB. Factors such as growth in gross non-performing assets, the incremental credit-deposit ratio for three years, the interest coverage ratio and the house price index would also be considered. The lower threshold at which the CCCB would be activated might be set at three percentage points of the credit-to-GDP ratio, while the upper threshold might be kept at 15 percentage points. *(Source: RBI Circular DBOD.No.BP.BC.2 /21.06.201/2013-14 and, more generally, http://www.business-standard.com.)*

- The RBI released the Framework for dealing with Domestic Systemically Important Banks (D-SIBs). (*Source: RBI Press Release available at http://www.rbi.org.in dated 22 July 2014.*)

- The RBI clarified that a loan-to-value (LTV) ratio of 75% shall be maintained throughout the tenure of the loan for all loans extended against pledge of gold ornaments and jewellery for non-agricultural end uses. The LTV ratio shall be computed against the total outstanding in the account, including accrued interest and current value of gold jewellery accepted as security or collateral, determined as per the methodology prescribed in the circular dated 20 January 2014. For the purpose of valuation of the gold, banks may use the historical spot gold price data, which is publicly disseminated by a commodity exchange regulated by the Forward Markets Commission in a manner consistent manner with the bank's board-approved policy. In addition, banks may use the prices disseminated by the India Bullion and Jewellers Association Limited. This decision was taken after the RBI received requests from banks to increase the prescribed ceiling and to review other conditions applicable for non-agricultural loans against pledge of gold ornaments and jewellery where both interest and principal are payable at maturity of the loan following the introduction of the LTV ceiling for such loans in the RBI circular dated 20 January 2014. *(Source: RBI Circular DBOB.No.BP.BC.27/21.04.048/2014-15 dated 22 July 2014.)*

August 2014

- The RBI sought comments on its draft guidelines for implementation of the Bharat Bill Payment System. This initiative seeks to create an integrated bill payment system across India, which offers interoperable and accessible bill payment services to customers through a network of agents, allows multiple payment methods, and provides instant confirmation of payment. The bill payment system will also serve as an efficient, cost effective alternative to the existing systems, thus, setting the standards for bill payments in the country and enhancing consumer confidence and experiences. (*Source: RBI Press Release available at http://www.rbi.org.in dated 7 August 2014.*)

September 2014

- Pursuant to the guidelines issued on the LCR in June 2014, banks will be allowed to include government securities held by them up to another 5% of their net demand and time liabilities within the mandatory SLR requirement as Level 1 high quality liquid assets (HQLA) in order to meet the LCR requirement while retaining the prudential aspect of the SLR. This additional liquidity will be available, in addition to the MSF, through a special facility and at a rate higher than the MSF rate as decided by the RBI taking into account the market conditions. All government securities reckoned for the LCR are to be valued at an amount no greater than their current market value as HQLAs for the purpose of computing the LCR. *(Source: RBI Fourth Bi-Monthly Monetary Policy Statement 2014-15 dated 30 September 2014.)*

October 2014

- The RBI advised scheduled commercial banks (excluding regional rural banks) that the eligible limit of the export credit refinance facility has been reduced from 32% of the outstanding rupee export credit eligible for refinance as at the end of the second preceding fortnight to 15% effective from 10 October 2014. *(Source: RBI Notification REF.No.MPD.BC. 374/07.01.279/2014-15 dated 30 September 2014.)*

November 2014

- The RBI released the Final Guidelines for "Licensing of Small Finance Banks in the Private Sector". Small finance banks are aimed at furthering financial inclusion by (a) provision of savings vehicles, and (ii) supply of credit to small business units, small and marginal farmers, micro and small industries, and other unorganised sector entities, through high technology-low cost operations. *(Source: RBI Press*

Release available at http://www.rbi.org.in dated 27 November 2014.)

- The RBI released the Final Guidelines for "Licensing of Payments Banks", which are aimed at furthering financial inclusion by providing (i) small savings accounts, and (ii) payments/remittance services to the migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users. *(Source: RBI Press Release available at http://www.rbi.org.in dated 27 November 2014.)*

Future Developments in the Banking Sector and Expected Domestic Reforms

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, Basel III. 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 1 April 2013. However, the reform package and guidelines will be implemented in a phased manner. On 31 December 2013, the RBI further extended the implementation of credit valuation adjustment risk to 1 April 2014; and, on 27 March 2014, extended the deadline for full implementation of Basel III requirements to 31 March 2019. (*Source: RBI Circular DBOD.No.BP.BC.81/21.06.201/2013-14 dated 31 December 2013 and RBI Circular DBOD.No.BP.BC.102/21.06.201/2013-14 dated 27 March 2013.*)

Under Basel III, 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 do 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 2.5% 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 22 July 2014, D-SIBs must have incremental capital of 0.2% to 0.8% and the quantum of capital required is dependent upon size, interconnectedness, substitutability and complexity of the bank.

Further, under Basel III, a simple, transparent, non-risk based leverage ratio has been introduced. The BCBS will test a minimum Tier I leverage ratio of 3.00% during a parallel run period from 1 January 2013 to 1 January 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 for a LCR as part of the Basel III framework on liquidity standards, which will require minimum LCRs starting at 60% as of 1 January 2015, increasing in equal annual steps to 100% by 1 January 2019.

Further, Additional Tier I non-equity capital instruments under Basel III 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 Basel III loss absorption features have been included in the event of occurrence of the 'Point of Non-Viability' trigger. The RBI has also fixed the base at the nominal amount of capital instruments outstanding on 1 January 2013, and their recognition will be capped at 90.00% from 1 April 2013, with the cap reducing by 10.00% points in each subsequent year.

Dynamic provisioning guidelines

At present, banks generally make two types of provisions; general provisions on standard assets and specific provisions on NPAs. Since the level of NPAs varies through the economic cycle, the resultant level of specific provisions also behaves cyclically. Consequently, lower provisions during upturns and higher provisions during downturns have a pro-cyclical effect on the real economy.

To address the pro-cyclicality of capital and provisioning, efforts at an international level are being made to introduce countercyclical capital and provisioning buffers. The RBI has prepared a discussion paper on a countercyclical (dynamic) provisioning (DP) framework.

The DP framework is based on the concept of expected loss, or "EL", which is the average level of losses a bank can reasonably expect to experience, and is considered the cost of doing business. It is generally covered by provisioning and pricing. The objective of DP is to soften the impact of incurred losses on the results of operations through the economic cycle, and not to provide a general provisioning cushion for EL. More specifically, the DP created during a year will be the difference between the long run average EL of the portfolio for one year and the incremental specific provisions made during the year. The parameters of the model suggested in the discussion paper are calibrated based on data of Indian banks. Banks that have the capability to calibrate their own parameters may, with the prior approval of the RBI, introduce a DP framework using the theoretical model indicated by the RBI. Other banks will have to use the standardised calibration provided by the RBI. (*Source: RBI Annual Report 2011-2012 and Discussion Paper on Introduction of Dynamic Loan Loss Provisioning Framework for Banks in India dated 30 March 2012*.)

The RBI, in its circular dated 7 February 2014, has decided that, as a countercyclical measure, a bank may utilise up to 33% of the countercyclical provisioning buffer/floating provisions held by it as of 31 March 2013 for making specific provisions for non-performing assets, as per the policy approved by the bank's Board of Directors. The RBI further clarified that the use of the countercyclical provisioning buffer/floating provisions under this measure may be over and above the use of the countercyclical provisioning buffer/floating provisions for the purpose of making accelerated or additional provisions as proposed in the RBI's press release of 30 January 2014 on "Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalising Distressed Assets in the Economy." The February 2014 circular also emphasises that all banks should develop necessary capabilities to have a dynamic loan loss provisioning framework in place which would enable them to build up a "DP account" during good times and utilise the same during a downturn.

Finance Sector Legislative Reforms Commission (FSLRC)

The FSLRC was constituted on 24 March 2011 to redraft and harmonise legislation related to the financial sector. (*Source: RBI Report on Trend and Progress of Banking in India 2011-12*.)

In its approach paper released on 1 October 2012, the FSLRC has proposed a two-agency regulatory model; the RBI as the monetary authority, banking regulator and payment systems regulator, and a single regulator for the rest of the financial sector. (*Source: FSLRC, Ministry of Finance, Approach Paper and Press Release.)*

The FSLRC submitted its final report to the Government on 22 March 2013. As per this report, the FSLRC recommended a non-sectoral, principle-based, legislative architecture for the financial sector by restructuring and/or upgrading existing regulatory agencies and creating new agencies wherever necessary for better governance. On 30 September 2014, the Government announced the establishment of four new task forces to lay the roadmap for the upgrade of existing agencies and establishment of new agencies namely Financial Sector Appellate Tribunal, Resolution Corporation, Public Debt Management Agency and Financial Data Management Centre. *(Source: Government of India, Ministry of Finance, Department of Economic Affairs Press Release dated 30 September 2014.)*

Financial Holding Company (FHC)

In June 2010, the RBI set up a working group to examine the different holding company structures prevalent internationally in the financial sector and to examine the feasibility of introducing an FHC structure in India. FHCs are companies that own or control one or more banks or NBFCs. Currently, banks in India are organised under a bank-subsidiary model, or "BSM", in which the bank is the parent of all the subsidiaries of the group. In May 2011, the RBI released the working group's recommendations that included, among others, that the FHC model should be pursued as a preferred model for the financial sector in India and that the RBI should be designated as the regulator for FHCs. The recommendations have currently not been implemented. (*Source: RBI Report of the Working Group on Introduction of Financial Holding Company Structure in India and Press Release available at http://www.rbi.org.in as of 2 November 2014*.)

Future Outlook and Key Trends

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.

During fiscal year 2013 and 2014, NPAs rose. The slippage ratio of the banking system, which showed a declining trend during fiscal years 2005-2008, further increased during fiscal years 2009-2014. Banks need to not only utilise effectively the various measures put in place by the RBI and the Government for the resolution and recovery of bad loans, but also strengthen their due diligence, credit appraisal and post sanction loan monitoring systems to minimise and mitigate the problem of increasing NPAs in fiscal 2015 and beyond.

BUSINESS

Overview

We are a new generation private sector bank in India. Our goal is to be the preferred provider of financial services to upper and middle income individuals and corporations 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 is high quality service, advanced technology platforms and superior execution. We have three principal business activities: retail banking, wholesale banking and treasury operations.

We have grown rapidly since commencing operations in January 1995. As of September 30, 2014, we had 3,600 branches, 11,515 ATMs in 2,272 cities and towns and 30.6 million customers. On account of the expansion in our geographical reach and the resultant increase in market penetration, our assets have grown from ₹ 3,379.1 billion as of March 31, 2012 to ₹ 4,916.0 billion as of March 31, 2014. Our assets as of September 30, 2014 were ₹ 5,099.6 billion. Our net profit has increased from ₹ 51.7 billion for fiscal 2012 to ₹ 84.8 billion for fiscal 2014. Our net profit for the first six months of fiscal 2015 was ₹ 46.1 billion.

Notwithstanding our pace of growth, we believe we have maintained a strong balance sheet and a low cost of funds. As of September 30, 2014, net non-performing assets (NPAs) constituted 0.3% of net advances. In addition, our net advances represented 83.8% of our deposits and our deposits represented 76.6% of our total liabilities and shareholders' equity. The non-interest bearing current accounts and low-interest bearing savings accounts represented 43.2% of total deposits as of September 30, 2014. These low-cost deposits and the cash float associated with our transactional services, led to an average cost of funds (including equity) of 5.1% for the first six months of fiscal 2015.

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 other insurance. HDFC Limited and its subsidiaries owned 22.5% of our outstanding equity shares as of September 30, 2014. Our Chairperson and Managing Director are nominated by HDFC Limited and appointed with the approval of our shareholders and the Reserve Bank of India (RBI). In addition, two members of our Board of Directors, Mr. Keki Mistry and Mrs. Renu Karnad, are the Vice Chairman and Chief Executive Officer of HDFC Limited and Managing Director of HDFC Limited, respectively, and have been appointed independent of HDFC Limited's entitlement to nominate two directors. See also the section "Principal Shareholders" on page 180. We have no agreements with HDFC Limited or any of its group companies that restrict us from competing with them or restricting 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 have two subsidiaries as per local laws: HDFC Securities Limited (HSL) and HDB Financial Services Limited (HDBFSL). 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, 2014 were ₹ 8.6 billion and ₹ 4.4 billion, respectively. HSL's net profit was ₹ 0.8 billion for fiscal 2014. HDBFSL is a non-deposit taking non-bank finance company (NBFC) engaged primarily in the business of retail asset financing. The customer segments catered to by HDBFSL are typically underserviced by larger commercial banks and this, we believe, creates a profitable niche for HDBFSL. HDBFSL also grants loans to micro, small and medium business enterprises and operates call centers for providing collection services to our retail loan products. HDBFSL's loans, total assets and shareholders' equity as of March 31, 2014 were ₹ 134.1 billion, ₹ 136.9 billion and ₹ 16.3 billion, respectively. HDBFSL's net profit amounted to ₹ 2.1 billion for fiscal 2014. Our principal corporate and registered office is located at HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India.

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

We believe our HDFC Bank brand is one of the strongest brands in the Indian banking industry and was, in August 2014, acknowledged as the most valuable brand in India in the inaugural edition of the BrandZ Top 50 Most Valuable Indian Brands study. The study was conducted by WPP research agency Millward Brown, which specializes in brand equity research and brand valuation. We have capitalized 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 September 30, 2014, we had 3,600 branches and 11,515 ATMs in 2,272 cities and towns and 30.6 million customers as compared to 2,544 branches and 8,913 ATMs in 1,399 cities and towns and 25.9 million customers as of March 31, 2012. 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 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. This includes the services that we can provide to our customers, both directly and indirectly through back-office operational execution, and the range of products we offer. We consider our high quality service to be a vital component of our business and believe in pursuing excellence in execution through multiple internal initiatives focused on continuous executional improvements. 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 range from retail loans to deposit products and other products and services, such as private banking, depositary accounts, 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 offer our customers brokerage accounts through our subsidiary HSL. On the wholesale banking side we offer customers working capital loans, term loans, bill collections, letters of credit and guarantees and foreign exchange and derivative products. We also offer a range of deposit and transaction banking services such as cash management, custodial and clearing bank services and correspondent banking. We collect taxes for the government and are bankers to companies in respect of issuances of equity shares and bonds to the public. We are able to provide this wide-range of products across our branch network, meaning we can provide our targeted rural customers banking products and services similar to those provided to our urban customers, which we believe provides us a competitive advantage. Our wide range of products and focus on superior service and execution also creates multiple cross-selling opportunities for us and, we believe, improves our customer retention rates.

We have achieved robust and consistent financial performance while preserving asset quality during our growth

On account of our superior operational execution, broad range of products, expansion in our geographical reach and the resultant increase in market penetration through our extensive branch network, our assets have grown from ₹ 3,379.1 billion as of March 31, 2012 to ₹ 4,916.0 billion as of March 31, 2014 (₹ 5,099.6 billion as of September 30, 2014). Our net profit has increased from ₹ 51.7 billion for fiscal 2012 to ₹ 84.8 billion for fiscal 2014 (₹ 46.1 billion for the six months ended September 30, 2014). In addition to the significant growth in our assets and net profit, we have remained focused on maintaining a high level of asset quality, with our gross NPAs as a percentage of gross advances remaining stable at 1.0% from fiscal 2012 through fiscal 2014 (1.0% as of September 30, 2014) and our net NPAs as a percentage of net advances increasing slightly from 0.2% in fiscal 2012 to 0.3% in fiscal 2014 (0.3% as of September 30, 2014). Our net interest margin was 4.4% in fiscal 2012 and 4.4% in fiscal 2014 (4.4% for the six months ended September 30, 2014), return on equity was 18.4% in fiscal 2012 and 20.9% in fiscal 2014 (20.0% for the six months ended September 30, 2014) and return on assets was 1.8% in fiscal 2012 and 2.0% in fiscal 2014 (1.9% for the six months ended September 30, 2014). Our current and savings account deposits as a percentage of our total deposits were 44.8% as of March 31, 2014.

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. Our direct banking platforms are stable and robust, enabling new ways to connect with our customers to cross-sell our various products and improve customer retention and supporting ever-increasing transaction volumes as customers adopt newer self-service technologies.

We successfully completed an upgrade of our retail core banking system to the latest technology platform during fiscal 2014, which enables us to provide additional features to our customers and respond faster to business and market needs. We have also developed robust data analytics capabilities that allow us to market and cross-sell our products to customers through both traditional relationship management and interactive, on-demand methods depending on how particular customers choose to interact with us. We have also implemented state-of-the-art engineered systems technology for some of the important backend operational systems, including recently doubling the capacity of our operational customer relationship management system.

We have an experienced management team

Many of the members of our management team 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 "Board of Directors and Senior 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.

Increase our geographical reach

As of September 30, 2014, we had 3,600 branches, 11,515 ATMs in 2,272 cities and towns which represents an increase of 1,056 branches, 2,602 ATMs and our presence in 873 cities and towns since March 31, 2012. We believe we can continue expanding our branch footprint, particularly by focusing on rural and semi-urban areas. 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.

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.

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. While we currently provide a range of options for customers to access their accounts, including net 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.

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 ratio of gross NPAs to gross advances was 1.0% as of September

30, 2014 and our net NPAs amounted to 0.3% of net advances. In addition, we have restructured the payment terms of certain loans. As of September 30, 2014, these represented 0.1% of our gross advances. 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 average cost of funds (including equity) was at 5.1% for the six month periods ended September 30, 2014 and September 30, 2013. Our current and savings account deposits were 43% of our total deposits as of September 30, 2014.

Our Principal Business Activities

Our principal business activities consist of retail banking, wholesale banking and treasury operations. The following table sets forth profit before tax attributable to our reportable segments in accordance with the guidelines issued by the RBI, for the last three fiscal years and for the six month periods ended September 30, 2013 and September 30, 2014.

	Year ended March 31,					
	2012		**2013**		**2014**	
	(in millions, except percentages)					
Treasury	₹ 3,819.9	5.1%	₹2,250.0	2.3%	₹4,123.0	3.2%
Retail Banking	34,868.2	46.4%	44,241.5	45.4%	56,854.1	44.5%
Wholesale Banking	32,718.5	43.5%	47,519.6	48.8%	59,401.1	46.6%
Other Banking Operations	12,775.4	17.0%	15,641.2	16.0%	19,204.6	15.0%
Unallocated	(9,050.5)	(12.0%)	(12,146.1)	(12.5%)	(11,862.1)	(9.3%)
Profit before tax	**₹ 75,131.5**	**100.0%**	**₹ 97,506.2**	**100.0%**	**₹ 127,720.7**	**100.0%**

	Six months ended September 30,			
	2013		**2014**	
	(in millions, except percentages)			
Treasury	₹ 2,065.9	3.6%	₹ 310.3	0.4%
Retail Banking	25,935.1	44.9%	29,748.2	42.7%
Wholesale Banking	28,904.0	50.0%	36,783.8	52.9%
Other Banking Operations	8,327.6	14.4%	10,246.5	14.7%
Unallocated	(7,435.3)	(12.9%)	(7,435.9)	(10.7%)
Profit before tax	**₹ 57,797.3**	**100.0%**	**₹ 69,652.9**	**100.0%**

Retail Banking

Overview

We consider ourselves a one-stop shop for the financial needs of upper and middle income individuals. 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, which together account for more than a third of our total retail banking loans. 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 specialized 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.

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 seek to establish a relationship with a retail customer and then expand it by offering more products. As part of our growth strategy we continue to expand our distribution channels so as to make it easier for the customer to do business with us. We believe this strategy, together with the general growth of the Indian economy and the Indian upper and middle classes, affords us significant opportunities for growth.

As of September 30, 2014, we had 3,600 branches and 11,515 ATMs in 2,272 cities and towns. We also provide telephone banking, 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 ₹ 1,071.3 billion as of March 31, 2012, to ₹ 1,647.6 billion as of March 31, 2014. Gross retail loans were ₹ 1,744.3 billion as of September 30, 2014. Loans are classified as retail based on the criteria of orientation, the nature of the product, granularity of the exposure and quantum thereof as established by the Basel committee. Apart from our branches, we use our ATM screens 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 analyses 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 many cases, we generally obtain post-dated cheques covering all payments at the time a retail loan is made. It is a criminal offence in India to issue a bad cheque. We also sometimes obtain instructions to debit the customer's account directly for making of payments. 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 loan yield 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.

Personal Loans / 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 and MasterCard stable, including gold, silver, corporate, platinum, titanium, signature, infinite, regalia, superia and world credit cards. During fiscal 2014, the Bank launched three premium variants of credit cards under the Diners brand under an exclusive arrangement with Diners. This will enable the Bank to cater to the specific needs of super-premium customers requiring global card benefits. We had 5.1 million cards outstanding as of March 31, 2014, as against 5.6 million as of March 31, 2012, primarily as a result of a rationalization exercise undertaken by the Bank to identify and eliminate inactive cards and focus more on card activation. We had 5.5 million cards outstanding as of September 30, 2014.

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.

Housing Loans

We provide home loans through an arrangement with our principal shareholder, HDFC Limited. Under this arrangement we sell loans provided by HDFC Limited through our branches. HDFC Limited approves and disburses the loans, which are kept on in their books, and we receive a sourcing fee for these loans. We have an option but not an obligation to purchase up to 70% (or 55% in case all the loans purchased qualified for priority sector lending) 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 issued by the RBI 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 (dematerialized) form, which ensures that we obtain perfected and first-priority security interests. The minimum margin for lending against shares is prescribed by the RBI.

We also offer loans which primarily include overdrafts against time deposits, health care equipment financing loans, tractor loans, loans against gold and ornaments, loans to self-help groups and small loans to farmers.

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 utilisation and the scale of financing and asset costs. The Bank offers both cash credit and term loan facilities under this product.

Loans Against Gold Jewellery

We offer loans against gold jewellery 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 jewellery are also extended to existing auto loan, personal loan or home loan customers in order to cater to their additional funding needs.

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 78.2% of our total deposits as of March 31, 2014 and 81.1% of our total deposits as of September 30, 2014. The following chart shows the value of our retail deposits by our various deposit products as at March 31, 2014 and September 30, 2014.

	At March 31, 2014		At September 30, 2014	
	Value (in millions)	% of total	Value (in millions)	% of total

Savings	₹ 1,007,857.6	35.1%	₹ 1,080,441.2	34.1%
Current	354,616.4	12.3%	361,646.8	11.4%
Time	1,509,098.4	52.6%	1,725,615.4	54.5%
Total	**₹ 2,871,572.4**	**100.0%**	**₹ 3,167,703.4**	**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 demand deposit 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.

Other Retail Services and Products

Debit Cards

We had around 17.4 million debit cards outstanding as of March 31, 2014 as compared to 14.1 million as of March 31, 2012. We had around 17.9 million debit cards outstanding as of September 30, 2014. 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 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. We earn upfront commissions on new premiums collected as well as some trailing income in subsequent years in some cases while the policy is still in force. Our commission income for the fiscal 2014 includes fees (net of service tax) of ₹ 3,375.6 million in respect of life insurance business and ₹ 1,166.9 million 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.

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.

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 ₹ 622.1 billion as of September 30, 2014. As an accelerated measure to increase foreign currency inflows into the country, the RBI had, in the second half of fiscal 2014, permitted banks in India to raise FCNR (B) deposits within a specified time period and in turn swap them into rupees with the RBI at concessional swap rates. The RBI has exempted these FCNR (B) deposits from the legal reserve requirements. The RBI also permitted exclusion of loans made in India against these FCNR (B) deposits from the ANBC computation for priority sector lending targets. Our time deposits include US$ 3.4 billion deposits raised by us under the RBI window for FCNR deposits.

Retail Foreign Exchange

We purchase foreign currency from and sell foreign currency to retail customers in the form of cash, traveler's cheques, demand drafts, foreign exchange cards and other remittances. We also carry out foreign currency cheque collections.

Customers and Marketing

Our target market for our retail services is comprised of upper and middle income individuals and high net worth customers. As of September 30, 2014, around 16% of our retail deposit customers contributed 78% of our retail deposits. These deposits include the time deposits raised by us under the RBI window for FCNR deposits. We market our products through our branches, telemarketing and a dedicated sales staff for niche market segments. We also use third-party agents and direct sales associates to market certain products and to identify prospective new customers.

Additionally, we obtain new customers through joint marketing efforts with our wholesale banking department, such as our Corporate Salary Account package. We cross-sell many of our 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 customized financial planning to high net worth individuals. Private banking customers receive a personal investment advisor who serves as their single-point contact and compiles personalized 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.

We also have a strong commitment to financial inclusion programs to extend banking services to underserved populations. Our SLI 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 customized 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 specialized 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

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. Approximately 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 in these 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 ₹ 897.6 billion as of March 31, 2012, to ₹ 1,402.0 billion as of March 31, 2014. Gross commercial loans were ₹ 1,551.1 billion as of September 30, 2014.

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, the pricing is based on a margin that depends on the credit assessment of the borrower. We are required to follow the Base Rate System while pricing our loans. For a detailed discussion of these requirements, see "Supervision and Regulation—Regulations Relating to Making Loans" on page 150.

The RBI requires banks to lend to specific sectors of the economy. For a detailed discussion of these requirements, see “Supervision and Regulation—Regulations Relating to Making Loans—Directed Lending” on page 150.

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, 2012, 2013, 2014, and as of September 30, 2014 together with the fair values on each reporting date.

	As of March 31,						**As of September 30,**	
	2012		**2013**		**2014**		**2014**	
	Notional	**Fair Value**	**Notional**	**Fair Value**	**Notional**	**Fair Value**	**Notional**	**Fair Value**
	(₹, in millions)							
Interest rate swaps and forward rate agreements	399,622.3	1,505.4	372,123.4	458.5	214,014.0	684.9	323,066.1	109.7
Forward exchange contracts, currency swaps, currency options and interest rate caps and floors	433,469.2	9,661.3	499,620.6	5,225.6	543,568.8	7,201.7	627,646.1	2,246.1

Investment Banking

Our Investment Banking Group offers services in the debt and equity capital markets. The group has arranged financing for clients across sectors including telecom, toll roads, steel, energy, chemicals and cement. The group advised on aggregate issuances of over ₹ 100 billion worth of corporate bonds across public sector undertakings, financial institutions and the Bank's corporate clients during fiscal 2014. In the advisory business, the Bank advised and closed transactions in capital goods, agrochemicals and the banking, financial services and insurance (BFSI) sector. In the equity capital markets business, the group has advised clients on public offerings and buy-back of shares.

Wholesale Deposit Products

As of September 30, 2014, we had wholesale deposits aggregating ₹ 739.1 billion, which represented 18.9% 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) so long as 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 provide cash management services in India. Our services make it easier for our corporate customers to expedite inter-city cheque collections, make payments to their suppliers more efficiently, optimize liquidity and reduce interest costs. In addition to benefiting from the cash float, which reduces our overall cost of funds, we may also earn commissions for these services.

Our primary cash management service is cheque collection and payment. Through our electronically linked branch network, correspondent bank arrangements and centralized processing, we can effectively provide nationwide collection and disbursement systems for our corporate clients. This is especially important because there is no nationwide payment system in India, and cheques must generally be returned to the city from which written, in order to be cleared. Because of mail delivery delays and the variations in city-based inter-bank clearing practices, cheque collections can be slow and unpredictable, and can lead to uncertainty and inefficiencies in cash management. We believe we have a strong position in this area relative to most other participants in this market.

Our wholesale banking clients also use our cash management services. These clients include Indian private sector companies, public sector undertakings and multinational companies. We also provide these services to Indian insurance companies, mutual funds, brokers, financial institutions and various government entities.

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, in certain cases we also earn commissions on such services.

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 (dematerialized) 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, co-operative societies and foreign banks. We provide cash management services, funds transfers and services, such as letters of credit, foreign exchange transactions and foreign cheque 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 and foreign 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 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 the first half of fiscal 2015, we collected ₹ 792 billion of direct taxes for the Government of India. We are also appointed to collect sales, excise and service tax within certain jurisdictions in India. In the first half of fiscal 2015, we collected ₹ 370 billion 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 non-resident Indians.

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, 2012, 2013, 2014, and as of September 30, 2014 together with the fair values on each reporting date.

	As of March 31,	As of September 30,

	2012		2013		2014		2014	
	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value
	(₹ in millions)							
Interest rate swaps and forward rate agreements	1,952,713.1	(2,076.3)	1,708,376.9	(2,429.0)	1,558,644.7	(1,739.4)	1,248,270.7	(534.9)
Forward exchange contracts, currency swaps, currency options and interest rate caps and floors	5,489,502.9	(3,423.4)	4,179,952.9	214.4	4,447,254.1	7,163.6	6,534,175.7	3,166.0

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" on page 158. 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 September 30, 2014, 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. Our exposure as of September 30, 2014 was within the said 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 and mobile telephone banking and internet banking.

Branches

As of September 30, 2014, we had an aggregate of 3,600 branches covering 2,272 cities and towns. 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 must be located in unbanked rural areas. A rural area is defined as a center with a population of less than 10,000 (based on the 2001 census conducted by the Government of India). As of September 30, 2014, 424 of our branches were in unbanked areas. With the objective of liberalizing and rationalizing the branch licensing process, the RBI, effective October 2013, granted general permission to banks like us to open branches in Tier 1 to Tier 6 centers, subject to reporting to the RBI and prescribed conditions. See the section "Supervision and Regulation". We offer various banking services to our customers through our arrangements with correspondent banks and exchange houses in overseas locations.

We have representative offices in the United Arab Emirates and Kenya and have a wholesale banking branch in Bahrain. We 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, where certain activities such as arranging credit or deals in investments, advising on financial products or credit and arranging custodian services will be carried out. Through these branches, we provide services to Indian corporates and their affiliates to cater to their international banking requirements, as well as to retail customers.

Automated Teller Machines

As of September 30, 2014, we had a total of 11,515 ATMs, of which 4,808 were located at our branches or extension counters and 6,707 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, depositing cash / cheques 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 other banks in the Plus, Cirrus and Amex 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 2,270 cities and towns. Customers can access their accounts over the phone through our 24-hour automated voice response system and can order cheque books, conduct balance inquiries and order stop payments on cheques. In select cities, customers can also engage in financial transactions (such as cash transfers, opening deposits and ordering demand drafts). In certain cities, we also have 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 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 etc. We offer our customers the ability to carry out financial transactions from their mobile phone using "ngpay". 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 net banking channel, customers can perform various transactions, such as access account information, track transactions, order cheque books, request stop cheque payments, transfer funds between accounts and to third parties who maintain accounts with us, open fixed deposits, give instructions for the purchase and sale of units in mutual funds, pay bills and make demand draft requests. 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.

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, commercial vehicle loans. Our retail credit policy and approval process are designed for the fact that we have 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/product programs are based on a statistical analysis of our own experience and industry data, in combination with the judgment 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/procedures, as applicable.

(c) Risk Intelligence and Control: This unit is responsible for 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 recurrence of frauds and financial losses.

(d) Retail Collections Unit: This unit is responsible for 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 retail loans are generally secured by a charge on the asset financed (vehicle loans, property loans and loans against gold and securities). 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 cheques from the customer. It is a criminal offence in India to issue a bad cheque.

Wholesale Credit Risk

The wholesale credit risk team, within the Credit & Market Risk 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 credit risk of counter-party comprehensively, and thus, our credit policies and procedures apply to not only credit exposures but also 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 Credit & Market Risk 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, correspond 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 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 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. Thus, 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 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 the 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, with the approval of its board, consider increasing its exposure to a borrower up to an additional 5% of its capital funds. For certain blue chip clients and reputed groups or in particular for entities whose borrowings / bonds qualify as Priority Sector Lending, a bank may approach the RBI for single/group borrower ceilings higher than the prescribed limits. Exposures (both lending and investment, including off balance sheet exposures) of a bank to a single Non-Banking Finance Company (NBFC)/NBFC—Asset Financing Company (AFC)/NBFC—Infrastructure Finance Company (IFC) should not exceed 10%, 15% and 15% respectively of the bank's capital funds. The bank may, however, assume exposures on a single NBFC /NBFC-AFC /NBFC-IFC, up to 15%, 20% and 20% respectively, of its capital funds, provided the exposure in excess of 10%, 15% and 15% specified earlier is on account of funds on-lent by the NBFC/NBFC-AFC/NBFC-IFC to the infrastructure sector.

(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 such ceiling. 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. Also, the RBI directs a portion of our lending to certain specified sectors (Priority Sector Lending). See the section "Supervision and Regulation" on page 141.

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 which we hold. The financial instruments may include investment in money market instruments, debt securities (such as gilts, bonds, PTCs, etc.), equities, foreign exchange products and derivative instruments (linear as well as non-linear products).

The market variables which affect the valuation of these instruments typically include interest rates, equity prices, commodity prices, exchange rates and 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 earning from the upside potential, there is always a possibility of downside risk. Thus, we have to constantly review the positions to ensure that the risk on account of such positions is within our overall risk appetite. Our risk appetite is set through a pre-approved Treasury limits package that includes equity trading limits as well as specific trading limits, Counterparty Exposure limit and Asset Liability Management (ALM) limit. The process for monitoring and review of risk exposure is outlined in the various risk policies.

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. This committee, which is chaired by the Managing Director and includes the heads of the business groups, meets every other week and more often when conditions require. 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 and also reviews developments in the markets and the economy and their impact on the balance sheet and business. Finally, it ensures adherence to ALM market risk limits and decides on the inter-segment transfer pricing policy.

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 and limits for the treasury and investment banking portfolios. 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 and also verifies the rates submitted by the Treasury Front Office for polling of various benchmarks. 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 asset liability management risk (interest rate risk in the banking book and liquidity risk).

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 the RBI guidelines and consists of positions in bonds, securities, currencies, interest rate swaps, 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, such as Value at Risk (VaR), Stop Loss Trigger Level (SLTL), Price Value per basis point (PV01), Option Greek limits and Position Limits, namely, Intraday and Net Overnight Open Position (NOOP) as well as Gap limits (Aggregate and Individual Gap limits), which are set in the Treasury Limits Package which also includes the equity trading limits. In addition, deal size limit is prescribed for foreign exchange deals traded on trading platforms, with the exception of specific position and exposure limits in exchange traded currency and interest rate derivatives.

The Treasury Limits and equity limits are recommended by management for approval to the Board of Directors. 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 recognized in the Non-Standard Product 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). In addition, 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 which also comprise judgmental potential scenarios.

Price validation is conducted by the Treasury Analytics team, is reviewed by the market risk department and governed by the model validation policy approved by the Board of Directors.

Asset Liability Management (ALM)

The ALM risk management process consists of management of Liquidity Risk and Interest Rate Risk in the Banking Book (IRRBB). Liquidity risk is the risk that the Bank may not be able to fund increases in assets or meet obligations as they come 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 fulfil statutory obligations. Such assets and liabilities are generally held till 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 tolerable limits.

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 risk tolerance/limits and reviewing the results of stress tests.

Risk Policy & Monitoring Committee of the Board (RPMC)

The RPMC is responsible for evaluating the overall risks faced by the Bank, including liquidity risk and interest rate risk. The RPMC also addresses the potential interaction of liquidity risk and interest rate risk with other risks faced by the Bank.

Asset Liability Committee (ALCO)

The ALCO is the decision-making unit responsible for ensuring adherence to the risk tolerance/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 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 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.

There are also certain internal ALM operational groups which support the ALM organization.

Risk Measurement Systems and Reporting

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. 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, which is guided by regulatory instructions. In addition, the Bank has an extensive intraday liquidity risk management framework for monitoring intraday positions during the day.

IRRBB is measured and controlled using both Earnings Perspective (Traditional Gap Analysis) and Economic Value Perspective (Duration Gap Analysis). Earnings Perspective measures the sensitivity of net interest income to changes in the interest rate over the next 12 months. It involves the bucketing of rate-sensitive assets, liabilities and off-balance sheet items as per the residual maturity/re-pricing date in various time bands, and computing the change in income under a 200 basis point upward and downward rate shock over a one-year period. Economic Value Perspective calculates the change in the present value of the Bank’s expected cash flows for a 200 basis point upward and downward rate shock. The Bank also undertakes periodic stress testing for its banking book. This provides a measure with which to assess the Bank’s financial standing from extreme but plausible interest rate fluctuations. The stress testing framework has been approved by the Board.

Operational Risk Management

Operational risk is 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 a Board-approved governance and organizational structure with clearly defined roles and responsibilities to mitigate operational risk arising out of 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 half-yearly 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 that 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

The Bank has devised an operational risk measurement system compliant with an advanced measurement approach for estimating operational risk capital for the standalone bank. The Bank has submitted a detailed application to the RBI for migration to the advanced measurement approach. At present, the Bank follows the basic indicator approach to estimating operational risk capital.

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, non-banking financial institutions. 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. The RBI received approximately 26 applications for new bank licenses including from some of the largest business groups in India. After review of the applications received, the RBI provided in-principle approvals to two of the applicants, IDFC Limited and Bandhan Financial Services Private Limited, in April 2014 which are valid for a period of 18 months, during which the new banks will have to be set up. The RBI will grant these new banks a license to commence banking operations after being satisfied that the applicants have complied with the conditions established as part of the in-principle approval. See the section "Industry Overview".

Retail Banking

In retail banking, our principal competitors are the 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 non-banking finance companies in the case of retail loan products. The retail deposit share of foreign banks is quite small by comparison to the public sector banks. However, some of the foreign banks have a significant presence among non-resident Indians 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 private sector banks in the foreign exchange and money markets business.

Employees

The number of our employees was 68,165 as of March 31, 2014 as compared to 66,076 as of March 31, 2012. The number of our employees was 75,339 as of September 30, 2014. Most of our employees are located in India. We consider our relations with our employees to be good. Further to our acquisition of CBoP in 2008, a few 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 is paid out by way of sales incentives as well as performance linked bonuses.

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 at present is 8.75%. 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 erstwhile 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 a training center in Mumbai, 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 specialized 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 September 30, 2014, we had a network consisting of 3,600 branches and 11,515 ATMs, including 6,707 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.

Intellectual Property

We utilise 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.

SUPERVISION AND REGULATION

The main legislation governing commercial banks 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 in the Banking Regulation Act, in derogation of the Companies Act, 2013, Companies Act, 1956 and any other law currently in force. Other important laws include the Reserve Bank of India Act, 1934, the Negotiable Instruments Act, 1881, the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (the "**SARFAESI Act**") and the Bankers' Books Evidence Act, 1891. Additionally, the RBI, from time to time, issues guidelines to be followed by banks. Compliance with all regulatory requirements is evaluated with respect to our financial statements under Indian GAAP.

RBI Regulations

Commercial banks in India are required under the Banking Regulation Act to obtain a license from the RBI to carry on banking business in India. Before granting the license, the RBI must be satisfied that certain conditions are complied with, including i) that the bank is or will be in a position to pay its present and future depositors in full as their claims accrue; ii) that the affairs of the bank will not be or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; iii) that the general character of the proposed management of the bank will not be prejudicial to the public interest or the interest of its depositors; iv) that the bank has adequate capital and earnings prospects; v) that public interest will be served if a license is granted to the bank; vi) that having regard to the banking facilities available in the proposed principal area of operations of the bank, the potential scope for expansion of banks already in existence in the area and other relevant factors the grant of the license would not be prejudicial to the operation and consolidation of the banking system consistent with monetary stability and economic growth; and vii) any other condition, the fulfilment of which would, in the opinion of the RBI, be necessary to ensure that the carrying on of banking business in India by the bank will not be prejudicial to the public interest or the interests of the depositors. The RBI can cancel the license if the bank fails to meet the above conditions or if the bank ceases to carry on banking operations in India.

Being licensed by the RBI, we are regulated and supervised by the RBI. It requires us to furnish statements, information and certain details relating to our business. The RBI has issued guidelines for commercial banks on recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for non-performing and restructured assets among others. The RBI has set up a Board for Financial Supervision, under the chairmanship of its Governor, with the primary objective of undertaking consolidated supervision of the financial sector comprised of commercial banks, financial institutions and non-banking finance companies. This Board oversees the functioning of the Department of Banking Supervision, Department of Non-Banking Supervision and Financial Institutions Division of the RBI and gives directions relating to regulatory and supervisory issues. The appointment of the auditors of 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.

Entry of new banks in the private sector

In February 2013, the RBI released guidelines for licensing of new banks in the private sector. The key items covered under these guidelines are as follows: i) promoters eligible to apply for banking licenses; ii) corporate structure; iii) minimum voting equity capital requirements for new banks; iv) regulatory framework; v) foreign shareholding cap; vi) corporate governance; vii) prudential norms; viii) exposure norms; and ix) business plan. The RBI has 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, subject to compliance with certain specified criteria. Such a non-operative financial holding company is 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. The RBI specified July 1, 2013 as the deadline for submission of applications for setting up new banks in the private sector, subsequent to which the RBI reviewed the applications and provided an in-principle approval to two applicants, IDFC Limited and Bandhan Financial Services Private Limited. The guidelines specify that the validity of an in-principle approval issued by RBI will be one year from the date of granting such approval, after which it will lapse automatically. However, the in-principle approval granted to IDFC Limited and Bandhan Financial Services Private Limited is valid for a period of 18 months, during which the applicants are required to comply with the requirements in the guidelines for licensing of new banks in the private sector and fulfill other conditions as may be specified by the RBI. The RBI will grant a license to commence banking operations only after it is satisfied that the applicants have complied with the conditions established as part of the in-principle approval. The applicants are prohibited from carrying out banking operations until the RBI issues the banking license.

Financial Holding Company Structure in India

The RBI constituted a Working Group in June 2010 to examine the feasibility of introducing a Financial Holding Company ("**FHC**") Structure in India under the chairpersonship of the Deputy Governor. In May 2011, the Working Group submitted its report to recommend a roadmap for the introduction of a holding company structure in the Indian financial sector together with the required regulatory, supervisory and legislative framework. The report aims to serve as a guiding document for the introduction of an alternate organizational structure for banks and financial conglomerates in India. Key recommendations of the Working Group are as follows: i) FHC structure; ii) regulatory framework; iii) statutory and taxation related changes; iv) caps on expansion in non-banking business; v) capital raising; and vi) transitioning to the FHC structure. The RBI's guidelines for licensing of new banks in the private sector make it mandatory for applicants to adopt the wholly owned non-operative financial holding company structure.

In August 2013, the RBI issued a discussion paper titled "Banking Structure in India—The Way Forward". The key recommendations in the paper relate to: i) adoption of the FHC structure; ii) differential licensing (allowing banks to be licensed to provide only specified services); iii) consolidation of large-sized Indian banks; and iv) requiring large foreign banks to operate through subsidiaries in India and the reduction of the Government's ownership of state-owned banks to ease the burden on the state where these banks will have to be capitalized to comply with Basel III requirements.

Regulations Relating to the Opening of Branches

Section 23 of the Banking Regulation Act provides that banks must obtain the prior permission of the RBI to open new branches. 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. Branches are categorized as Tier 1 to Tier 6 based on population (as per the 2001 census) and classified in the following manner:

- Tier 1—100,000 and above;
- Tier 2—50,000 to 99,999;
- Tier 3—20,000 to 49,999;
- Tier 4—10,000 to 19,999;
- Tier 5—5,000 to 9,999; and
- Tier 6—Less than 5,000

With the objective of liberalizing and rationalizing the branch licensing process, the RBI, effective October 2013, granted general permission to banks like us to open branches in Tier 1 to Tier 6 centers, subject to reporting to the RBI and prescribed conditions such as (i) at least 25% of the total number of branches opened during the fiscal year must be opened in unbanked rural (Tier 5 and Tier 6) centers, which are defined as centers that do not have a brick and mortar structure of any scheduled commercial bank for customer-based banking transactions; and (ii) the total number of branches opened in Tier 1 centers during a fiscal cannot exceed the total number of branches opened in Tier 2 to Tier 6 centers and all centers in the north eastern states of India and the state of Sikkim. The guidelines also permit banks to open branches in Tier 1 centers over and above the number of branches opened in Tier 2 to Tier 6 centers subject to specified conditions.

The RBI also permits scheduled commercial banks to install off-site ATMs at centers/places identified by them, without the need to get permission from the RBI in each case. This, however, is subject to any direction which the RBI may issue, including for closure/shifting of any such off-site ATMs, wherever the RBI considers it necessary. Banks need to report full details of the off-site ATMs installed by them in terms of the above general permission.

Capital Adequacy Requirements

The RBI has issued guidelines for the implementation of the New Capital Adequacy Framework (Basel II). In order to maintain consistency and harmony with international standards, foreign banks in India and Indian banks having operational presence outside India were advised to adopt the Standardized Approach for Credit Risk and Basic Indicator Approach for Market Risk and Operational Risk with effect from March 31, 2008, while other commercial banks were advised to adopt these approaches with effect from March 31, 2009.

Under these guidelines, we were required to maintain a minimum ratio of capital to risk-adjusted assets and off-balance sheet items of 9%, at least 6% of which must be Tier I capital. Until March 31, 2013, we were also required to ensure that our Basel II minimum capital requirement continued to be higher than the prudential floor of 80% of the minimum capital requirement computed as per the Basel I framework for credit and market risks. In May 2013, the RBI withdrew the requirement of parallel run and prudential floor for implementation of Basel II vis-à-vis Basel I.

In May 2012, the RBI released guidelines on implementation of Basel III capital regulations in India with effect from April 1, 2013, and in July 2013, 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) graded enhancement of the total capital requirement; iv) introduction of 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 share will not be considered a part of Common Equity Tier 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 conversion/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.

Under the Basel III capital regulations, the capital funds of a bank are classified into Common Equity Tier I ('CET-I'), Additional Tier I ('AT-I') and Tier II capital. Tier I capital, comprised of CET-I and AT-I, provides the most permanent and readily available support against unexpected losses. CET-I capital is comprised of paid-up equity capital and reserves consisting of any statutory reserves, free reserves and capital reserves. AT-I capital is comprised of innovative perpetual debt instruments eligible for inclusion as AT-I capital. Regulatory adjustments/deductions such as equity investments in financial subsidiaries, intangible assets, deferred tax assets, gaps in provisioning and losses in the current period and those brought forward from the previous period are required to be deducted from CET-I capital in a phased manner over a period of three years.

Tier II capital consists of revaluation reserves at a discount of 55.0%, general provisions and loss reserves (allowed up to a maximum of 1.25% of credit risk weighted assets), hybrid debt capital instruments (which combine features of both equity and debt securities) such as perpetual cumulative preference shares and debt capital instruments (which should be fully paid up, with a fixed maturity of minimum 10 years and should not contain clauses that permit step-ups or other incentives to redeem). Capital instruments which no longer qualify as non-common equity Tier I capital or Tier II capital (such as capital debt instruments with step-ups) are being phased-out in a gradual manner beginning January 1, 2013.

Risk adjusted assets considered for determining the capital adequacy ratios are the aggregation of risk weighted assets of credit risk, market risk and operational risk.

In respect of credit risk, the risk adjusted assets and off-balance sheet items considered for determining the capital adequacy ratio are the risk weighted total of certain funded and non-funded exposures. Degrees of credit risk expressed as percentage weighting have been assigned to various balance sheet asset items and conversion factors to off-balance sheet items. The value of each item is multiplied by the relevant weight and/or conversion factor to arrive at risk-adjusted values of assets and off-balance sheet items. Standby letters of credit and general guarantees are treated similar to funded exposures and are subject to a 100.0% credit conversion factor. The credit conversion factor for certain off-balance sheet items such as performance bonds, bid bonds and standby letters of credit related to particular transactions is 50.0% while that for short-term self-liquidating trade-related contingencies such as documentary credits collateralized by the underlying shipments is 20.0%. The credit conversion factor for other commitments like formal standby facilities and credit lines is either 20.0% or 50.0%, based on the original maturity of the facility. Differential risk weights for credit exposures linked to their external credit rating or asset class have been prescribed.

The RBI, with effect from June 2013, prescribed a risk weight of 50.0% for residential mortgage loans of less than ₹ 2 million with loan-to-value ratios of up to 90.0% and for loans with values of more than ₹ 2 million but less than ₹ 7.5 million with loan-to-value ratios of up to 80.0% and a risk weight of 75.0% for mortgage loans above ₹ 7.5 million with loan-to-value ratios of up to 75.0%. Previously, the risk weight for residential mortgage loans of less than ₹ 3 million with loan-to-value ratios of up to 75.0% was 50.0% and for loans with values of more than ₹ 3 million but less than ₹ 7.5 million with loan-to-value ratios of up to 75.0% was 75.0%, for mortgage loans below ₹ 7.5 million with loan-to-values greater than 75.0% the risk weight was 100.0% and that for residential mortgage loans of ₹7.5 million and above, irrespective of the loan to value ratio, was 125.0%. Consumer credit and advances that are included in our capital market exposure carry a risk weight of 125.0% or higher corresponding to the rating of the exposure. Exposure to venture capital funds are risk weighted at 150.0%. Other loans/credit exposures are risk weighted based on their ratings or turnover. The RBI has also prescribed detailed guidelines for the capital treatment of securitization exposures.

A capital charge for operational risk equal to the average of 15.0% of a bank's annual gross income (excluding extraordinary income) for the previous three years, where positive, has been prescribed.

Banks are required to maintain a capital charge for market risks on their trading books in respect of securities included under the held-for-trading and available-for-sale categories, open gold position, open foreign exchange position limits, trading positions in derivatives and derivatives entered into for hedging trading book exposures. With effect from fiscal 2015, banks are also required to quantify incurred credit valuation adjustment losses and standard credit valuation adjustment capital charge on their derivatives portfolio.

The Basel III capital regulations require a bank to maintain a minimum CET-I capital ratio of 5.5%, a minimum Tier I capital ratio of 7.0% and a capital conservation buffer of 2.5% of its risk weighted assets with the minimum overall capital adequacy ratio of 9.0% of its risk weighted assets. The transitional arrangements for the implementation of Basel III capital regulations in India began from April 1, 2013 and the guidelines will be fully phased-in and implemented as of March 31, 2019. In view of the gradual phase-in of regulatory adjustments to the common equity component of Tier I capital under Basel III, certain specific prescriptions of the Basel II capital adequacy framework (e.g. rules relating to deductions from regulatory capital, risk weighting of investments in other financial entities etc.) will also continue to apply until March 31, 2017 on the remainder of regulatory adjustments not treated in terms of Basel III rules. In September 2014, the RBI reviewed its guidelines on Basel III capital regulations with a view to facilitate issuance of non-equity regulatory capital instruments by banks under Basel III framework. Accordingly, certain specific eligibility criteria of such instruments were amended. These amendments were also intended to incentivize investors and to increase the investor base.

In December 2013, the RBI released a draft framework for domestic systemically important banks ("**D-SIBs**"), in order to seek comments from banks, other institutions and the public at large. The draft framework discusses the methodology to be adopted by the RBI for identifying D-SIBs and proposes policies to which D-SIBs would be subjected to. The assessment methodology adopted by RBI is primarily based on the Basel Committee on Banking Supervision methodology for identifying global systemically important banks ("**G-SIBs**"), with suitable modifications designed to capture the domestic importance of a bank. The indicators used for assessment include: size, interconnectedness, substitutability and complexity. D-SIBs will be required to have an additional CET-I capital requirement ranging from 0.2% to 0.8% of risk weighted assets. The higher capital requirements applicable to D-SIBs will be phased-in from April 1, 2016 and would become fully effective from April 1, 2019. D-SIBs will also be subjected to differentiated supervisory requirements and a higher intensity of supervision based on the risks they pose to the financial system. The names of the banks that RBI identifies as D-SIBs are expected to be disclosed for the first time in fiscal 2016.

The RBI also released a draft report of the Internal Working Group on the implementation of countercyclical capital buffer ("**CCCB**"). The RBI, with the introduction of CCCB, seeks to ensure that not only individual banks remain solvent through a period of stress, but also that the banking sector has capital in hand to help maintain the flow of credit in the economy during economic downturns and periods of stress. The introduction of CCCB will require banks to have an additional capital requirement increasing linearly up to 2.5% of the risk weighted assets of a bank. The key recommendations of the internal working group on the implementation of CCCB in India include: (i) making use of indicators such as credit-to-GDP gap and increase in gross non-performing assets for prescribing CCCB requirements; (ii) linearly increasing the CCCB requirement up to 2.5% of the risk-weighted assets of banks; (iii) providing a lead time of 12 months for banks to comply with CCCB requirements; and (iv) mandating the requirement of CCCB on a standalone basis as well as consolidated basis for banks operating in India.

Loan Loss Provisions and 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. These guidelines are applied for the calculation of impaired assets under Indian GAAP. The principal features of the RBI guidelines are set forth below.

Non-Performing Assets

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

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

- interest and/or an installment of principal remain 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;
- the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops;
- the installment of principal or interest thereon remains overdue for one crop season for long duration crops;
- 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 dated February 1, 2006; 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 an NPA only if the interest imposed during any quarter is not fully repaid within ninety days from the end of the relevant quarter.

"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".

Asset Classification

Banks are required to classify NPAs into the following three categories based on the period for which the asset has remained non-performing and the realisability of the dues:

Sub-standard Assets: Assets that are non-performing for a period less than or equal to 12 months. Such an asset has well defined credit weaknesses that jeopardize the liquidation of the debt and is characterized by the distinct possibility that the bank will sustain some loss if deficiencies are not corrected.

Doubtful Assets: An asset will be classified as doubtful if it remains in the substandard category for a period of 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that are classified as sub-standard, 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: Assets on which losses have been identified by the bank or internal or external auditors or on inspection by the RBI, but the amount has not been written off fully. Such an asset is considered uncollectable and of such little value that its continuance as a bankable asset is not warranted, although there may be some salvage or recovery value.

There are separate asset classification guidelines which will apply to projects under implementation before the commencement of their commercial operation.

Restructured Assets

The RBI has issued prudential guidelines on the restructuring of advances 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". A standard asset can be restructured by rescheduling principal repayments and/or the interest element, subject to compliance with certain conditions, but must be separately disclosed as a restructured asset.

The following categories of advances are not eligible for being classified as a standard asset upon restructuring: a) consumer and personal advances; b) advances classified as capital market exposures; and c) advances classified as commercial real estate exposures.

The criteria to be fulfilled for the restructured advance to be treated as a "standard asset" includes the viability of the business, infusion of promoters' contribution, full security coverage and cap on maximum tenor of repayment. The economic loss, if any, arising as a result of a restructuring needs to be provided for in the books of the bank. The provision is computed as the difference between the fair value of the account before and after restructuring.

Similar guidelines apply to sub-standard assets. Sub-standard accounts which have been subjected to restructuring, whether in respect of a 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 of principal, whichever is earlier, falls due, subject to satisfactory performance during the period.

In May 2013, the RBI issued additional guidelines in relation to restructured assets wherein such regulatory forbearance regarding asset classification on restructured accounts will be withdrawn for all restructurings with effect from April 1, 2015. 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.

Distressed assets in Indian Economy

In February 2014, the RBI introduced a framework for Revitalizing Distressed Assets in the Economy that outlines a corrective action plan to incentivize early identification of problem prone customers, timely restructuring of accounts which are considered to be viable, and taking prompt steps by banks for recovery or sale of unviable accounts. These guidelines are applicable to all scheduled commercial banks, term-lending institutions and refinancing institutions (herein after "**lenders**") and require these institutions to identify standard accounts showing signs of stress. Such accounts are to be categorized into different levels of Special Mention Accounts ("**SMA**") based on the overdue vintage and signs of incipient stress. The RBI shall set up a Central Repository of Information on Large Credits ("**CRILC**") to collect, store and disseminate credit related information to lenders. Lenders shall be required to report credit information, including the classification of an account as an SMA to the CRILC. Failure to report the SMA status of accounts to CRILC could lead to supervisory actions by the RBI such as accelerated provisioning on non-performing assets. In relation to accounts with a specified SMA category, where lenders collectively have an exposure to that borrower in excess of specified amounts, banks are required to form a Joint Lenders' Forum ("**JLF**") in order to explore various options to resolve the stress in the account and set right the irregularities/weaknesses in the account. The JLF may also decide the recovery process from among the various legal options available, subject to the consent of such majority of the lenders as required under the applicable laws.

Corporate Debt Restructuring Mechanism

The RBI has devised a corporate debt restructuring system to put in place an institutional mechanism for the restructuring of corporate debt. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems, outside the purview of the Board of Industrial and Financial Rehabilitation, debt recovery tribunals and other legal proceedings. In particular, this framework aims to preserve viable companies that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly and coordinated restructuring program. The corporate debt restructuring system is a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements.

Act Relating to Recovery of NPAs

As a part of the financial sector reforms, the Government introduced the SARFAESI Act. The SARFAESI Act provides banks and other lenders increased powers in the recovery of the collateral underlying NPAs.

Provisioning and Write-Offs

Provisions are based on guidelines specific to the classification of assets. The following guidelines apply to various asset classifications:

Standard Assets

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 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.

Sub-Standard 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 ("**ECGC**") 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).

Unsecured exposure is defined as an exposure where the realizable value of security, as assessed by the bank, approved valuers or the RBI's inspecting officers, is not more than 10.0%, ab-initio, of the outstanding exposure. Exposure includes all funded and non-funded exposures (including underwriting and similar commitments). Security means tangible security properly discharged to the bank and will not include intangible securities such as guarantees and comfort letters.

Doubtful Assets

A 100.0% provision is made against the unsecured portion of the doubtful asset. 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.

Floating Provisions

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. In February 2014, the RBI permitted banks to utilize a prescribed percentage of the floating provisions held as of March 31 of the previous fiscal year for making specific loan loss allowances for impaired accounts. Floating provisions cannot be reversed by credit to the profit and loss account. They can only be utilised for making specific provisions in 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 risk-weighted assets.

Prudential Coverage Ratio

With a view to ensuring counter-cyclical provisioning in the banking system, the RBI mandated that banks should augment their provisioning cushions consisting of specific provisions against NPAs as well as floating provisions (to the extent not used at Tier II capital), and ensure that their total Provisioning Coverage Ratio ("**PCR**"), including the above floating provisions, is not less than 70.0% as of September 30, 2010. Under the current regime i) the PCR of 70.0% may be computed with reference to the gross NPA position in the relevant banks as of September 30, 2010; ii) the surplus of the provision under PCR over the amount required by the guidelines, would be treated as "countercyclical provisioning buffer"; and iii) banks may utilize up to 33% of the countercyclical provisioning buffer/ floating provisions held by them as of March 31, 2013 for making specific provisions for NPAs during periods of system wide downturn, as per the policy approved by the bank's board of directors with the prior approval of RBI. The RBI released a discussion paper on dynamic loan loss provisioning framework in March 30, 2012. The framework proposes to replace the existing standards of general provisioning and recommends that banks make provisions on their loan book based on historical loss experience for different asset classes. Banks can draw down from dynamic provisions during periods of downturn. The RBI has advised that the dynamic provision framework is expected to be in place with improvement in the system.

Regulations Relating to Sale of Assets to Asset Reconstruction Companies

The SARFAESI Act provides for the sale of financial assets by banks and financial institutions to asset reconstruction companies. The RBI has issued guidelines to banks on the process to be followed for the sale of financial assets to asset reconstruction companies on July 1, 2014. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is an NPA. A bank could also sell a standard asset only if (i) the borrower is under consortium or multiple banking arrangement; (ii) at least 75.0% by value of the of the asset is classified as non-performing in the books of other banks and financial institutions; and (iii) at least 75.0% by value of the banks and financial institutions in the consortium or multiple banking arrangements agree to the sale of the asset to SC/RC. The banks selling financial assets must ensure that there is no known liability being transferred to them and that they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Further, banks cannot sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realization. However, banks may sell specific financial assets with an agreement to share any surplus realized by the asset reconstruction company in the future. While each bank is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangements where more than 75.0%, by value of the banks or financial institutions, accept the offer, the remaining banks or financial institutions are obliged to accept the offer. Consideration for the sale may be in the form of cash or bonds/debentures issued by the asset reconstruction company or trusts set up by it to acquire financial assets. Banks can also invest in security receipts or pass-through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets.

Guidelines on Sale and Purchase of Non-Performing Assets (NPAs) among Banks, Financial Institutions and Non-banking Financial Institutions

In order to increase the options available to banks for resolving their NPAs and to develop a healthy secondary market for NPAs, in July 2005, the RBI issued guidelines for the purchase/sale of NPAs among banks, financial institutions and non-banking finance companies. In terms of these guidelines, banks' boards are required to establish policies covering, among others, a valuation procedure to be followed to ensure that the economic value of financial assets is reasonably estimated based on the assessed cash flows arising out of repayment and recovery prospects. Purchases and sales of NPAs must be without recourse to the seller, on a cash basis, with the entire consideration being paid up-front, and after the sale there should not be any known liability devolving on the seller. An asset must have been classified as non-performing for at least two years by the seller to be eligible for sale. The purchasing bank must hold the NPA on its books for at least 15 months before it can sell the asset to another bank. The asset cannot be sold back to the original seller.

In February 2014, the RBI issued guidelines wherein the requirement of a minimum holding period of two years by the seller in relation to sale transactions with other banks, financial institutions and non-banking finance companies, was removed. These guidelines reduce the requirement of the holding period by the purchasing bank to 12 months before it can sell the asset to another bank, financial institution or non-banking finance company.

Guidelines on Sale of Standard Assets

The RBI first issued guidelines for the securitization of standard assets in February 2006. The guidelines provide that for a transaction to be treated as a securitization, a two-stage process must be followed. In the first stage there must be a sale of a single asset or pooling and transferring of assets to a bankruptcy remote special purpose vehicle ("**SPV**") in return for immediate cash payment and in the second stage repackaging and selling the security interests representing claims on incoming cash flows from the asset or pool of assets to third party investors should be effected. Further, for enabling the transferred assets to be removed from the balance sheet of the seller in a securitization structure, the isolation of assets or 'true sale' from the seller or originator to the SPV is an essential prerequisite. Also, an arms-length relationship must be maintained between the originator, the seller and the SPV.

Certain regulatory standards for capital adequacy, valuation, profit and loss on sale of assets, income recognition and provisioning, accounting treatment for securitization transactions and disclosure standards have been prescribed. The guidelines are applicable for originators and have prescribed provisions for service providers like: credit enhancers, liquidity support providers and underwriters and investors. Quarterly reporting to the audit sub-committee of the board of directors by originating banks of the securitization transactions has also been prescribed. Apart from banks, these guidelines are also applicable to financial institutions and non-banking financial companies.

In May 2012, the RBI revised the guidelines on transfer of assets through securitization and direct assignment of cash flows. These guidelines govern the securitization of debt obligations of a homogenous pool of obligors as well as the direct sale or transfer of a single standard asset. The roles of both the selling and purchasing banks have been defined more clearly. All on-balance sheet standard assets except those expressly disallowed in the guidelines are eligible for securitization subject to being held by the originating bank for a minimum holding period. The guidelines also prescribe a minimum retention requirement, i.e. the minimum part of the securitized debts that the originator is required to retain during the term of securitization. Overseas branches of Indian banks cannot undertake securitization in other jurisdictions unless there is a minimum retention requirement in that jurisdiction. These requirements have been established to ensure that the originator exercises due diligence with regard to the securitized assets. The guidelines also establish the upper limit on the total retained exposure of the originator, the disclosures to be made by the originators, applicability of capital adequacy and asset classification and provisioning norms to these transactions. The norms also stipulate stress testing and extensive monitoring requirements on the purchased portfolios. Transactions which do not meet the requirements established by the guidelines will be assigned very high risk weights under capital adequacy norms. The guidelines on transfer of assets through securitization and direct assignment of cash flows do not apply to:

- transfer of loan accounts of borrowers by a bank to other bank/financial institutions/non-banking finance companies and vice versa, at the request/instance of borrower;
- inter-bank participations;
- trading in bonds;
- sale of entire portfolio of assets consequent upon a decision to exit the line of business completely (which should have the approval of board of directors of the bank);
- consortium and syndication arrangements and arrangement under corporate debt restructuring mechanism; and

- any other arrangement/transactions, specifically exempted by the RBI.

Regulations Relating to Making Loans

The provisions of the Banking Regulation Act govern loans made by banks in India. The RBI issues directions covering the loan activities of banks. Major guidelines include norms for bank lending to priority sectors, non-bank financial companies, guidelines on banks' benchmark lending rates, base rates and norms for loans against shares.

In terms of Section 20(1) of the Banking Regulation Act, a bank cannot grant any loans and advances against the security of its own shares. A banking company is prohibited from entering into any commitment for granting any loans or advances to or on behalf of any of its directors, or any firm in which any of its directors has an interest as a partner, manager, employee or guarantor or any other company (not being a subsidiary of the banking company or a company registered under Section 8 of the Companies Act, 2013 or a Government company), or the subsidiary or the holding company of such a company of which any of the directors of the bank is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or any individual in respect of whom any of its directors is a partner or guarantor. There are certain exceptions in this regard which exclude any transaction which the RBI may specify by general or special order as not being a loan or advance for the purpose of such section. The Government may, on the recommendation of the RBI and subject to conditions as it may deem fit to impose, exempt any banking company from the restriction on lending to the subsidiary, holding company or any other company in which any of the directors of the banking company is a director, managing agent, manager, employee, guarantor or in which such person holds substantial interest.

In the context of granting greater functional autonomy to banks, effective from October 18, 1994, the RBI decided to remove restrictions on the lending rates of scheduled commercial banks for credit limits of over ₹ 0.2 million. Banks were given the freedom to fix the lending rates for such credit limits subject to the Benchmark Prime Lending Rate ("**BPLR**") and spread guidelines. The BPLR system, however, fell short of its original objective of bringing transparency to lending rates. This was mainly because under the BPLR system, banks could lend below BPLR. Banks consequently were advised by the RBI to switch over to the system of Base Rate with effect from July 1, 2010. The base rate system is aimed at enhancing transparency in lending rates of banks and enabling better assessment of transmission of the monetary policy. The Base Rate includes all elements of the lending rates that are common across all categories of borrowers. Banks may choose any benchmark to arrive at their Base Rate for a specific tenor that may be disclosed. For loans sanctioned up to June 30, 2010, the BPLR was applicable. However, for loans sanctioned up to June 30, 2010 but renewed from July 1, 2010, the Base Rate is applicable.

Directed Lending

Priority Sector Lending

The guidelines on lending to the priority sector are set forth in the RBI guidelines on Priority Sector Lending—Targets and Classification. The priority sector is broadly comprised of agriculture, micro and small enterprises ("**MSEs**"), education and housing, export credit and others subject to certain limits. The guidelines take into account the revised definition of MSEs as per the Micro, Small and Medium Enterprises Development Act, 2006.

The priority sector lending targets are linked to the adjusted net bank credit ("**ANBC**") or the credit equivalent amount of off-balance sheet exposures ("**CEOBE**"), whichever is higher, as on March 31 of the previous year.

Domestic banks are required to achieve total priority sector lending equivalent to 40.0% of their ANBC or CEOBE. Of the total priority sector advances, agricultural advances are required to be 18.0% of ANBC or CEOBE, whichever is higher. Of this, indirect lending to the agriculture sector in excess of 4.5% of ANBC or CEOBE, whichever is higher, will not be taken into consideration for computing performance under the 18.0% target. However, all agricultural advances under the categories 'direct' and 'indirect' will be taken into consideration in computing performance under the overall priority sector target of 40.0%. Advances to weaker sections are required to be 10.0% of ANBC or CEOBE, whichever is higher. Loans up to ₹ 2.5 million per borrower under housing finance in locations with a population in excess of 1 million and up to ₹ 1.5 million per borrower under housing finance in other locations, excluding loans granted by banks to their own employees, are to be treated as part of priority sector lending. Loans to individual borrowers for educational purposes including vocational courses up to ₹ 1.0 million for studies in India and ₹ 2.0 million for studies abroad are also to be treated as part of priority sector lending. Investments by banks in securitized assets and outright purchases of loans will be eligible for classification under the priority sector only if certain criteria are fulfilled. RBI issued guidelines in May 2014 permitting banks to include deposits made by them with the National Bank for Agriculture and Rural Development ("**NABARD**") in lieu of non-achievement of priority sector lending targets as part of indirect lending to the agriculture sector. The outstanding deposits will also be considered in the computation of the ANBC. Previously fresh deposits made by banks with the NABARD were not eligible to be considered as indirect finance subsequent to the fiscal2007.

Domestic scheduled commercial banks having a shortfall in lending to priority sector targets, agriculture targets and weaker section targets are allocated amounts for contribution to the Rural Infrastructure Development Fund established with NABARD or funds with other financial institutions, as may be decided by the RBI, as and when funds are required by them. The interest rates on banks' contribution to these schemes, and periods of deposits, among other things, is linked to the bank rate published by the RBI from time to time. Additionally, as per RBI guidelines, non-achievement of priority sector targets and sub-targets is taken into account by RBI when granting regulatory clearances/approvals for various purposes.

Foreign banks having 20 or more branches in India will be brought at par with domestic banks for priority sector targets in a phased manner over a maximum period of five years commencing from April 1, 2013 and will have a priority sector lending target of 40.0% of ANBC instead of the earlier requirement of 32.0%. Foreign banks having less than 20 branches in India continue to have the overall target of 32.0% of ANBC.

Export Credit

The RBI also requires banks to make loans to exporters. Banks have been advised to reach a level of outstanding export credit equivalent to 12.0% of their ANBC. We provide export credit for pre-shipment and post-shipment requirements of exporters in rupees as well as foreign currencies. Export credit is not a separate priority sector lending category for domestic banks and foreign banks having 20 or more branches in India. Export credit to eligible activities under agriculture and MSEs will be taken into consideration for computing performance under the respective priority sector lending categories. Export credit extended by foreign banks with less than 20 branches will be taken into consideration in computing performance under the overall priority sector target. Interest rates on export credit in rupees are generally required to be determined in accordance with the base rate system. With effect from May 5, 2012, the RBI has deregulated the interest rates on export credit in foreign currency and has permitted banks to determine their own interest rates in respect thereof.

Lending to Infrastructure Sector and Affordable Housing Sector

In order to allow banks to raise long-term funds for project loans to the infrastructure sector and the affordable housing sector, the RBI in July 2014 issued guidelines for issuance of long term bonds by banks for financing infrastructure project loans and lending to the affordable housing sector and guidelines for flexible structuring and refinancing of new project loans to infrastructure and core industries sectors. Under these guidelines, banks are permitted to issue long-term fully paid, redeemable and unsecured bonds with a minimum maturity of seven years to enable lending to long term projects in certain specified infrastructure sub-sectors, and affordable housing sector as prescribed in the guidelines. To encourage lending to these sectors, banks have been permitted to exclude these long-term bonds from the reserve requirements and such lending from the ANBC computation for the purposes of priority sector lending targets, in accordance with these guidelines. Any incremental infrastructure or affordable housing loans acquired from other banks and 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 RBI. In light of these guidelines, we submitted an application to the RBI in relation to the issuance of bonds for affordable housing and gave a proposed notice to our shareholders for approval for affordable housing and infrastructure bonds. On January 12, 2015, the RBI approved the issuance of long term bonds with a minimum maturity of seven years to fund the purchase of approximately ₹ 40 billion of affordable housing loans from HDFC Limited.

Credit Exposure Limits

As a prudential measure aimed at better risk management and avoidance of concentration of credit risks, the RBI has advised banks to fix limits on their exposure to specific industries or sectors and has prescribed regulatory limits on banks' exposures to individual borrowers and borrower groups. In addition, banks are also required to observe certain statutory and regulatory exposure limits in respect of advances against or investments in shares, convertible debentures or bonds, units of equity-oriented mutual funds and all exposures to venture capital funds ("**VCFs**").

The RBI limits exposure to individual borrowers to not more than 15.0% of the capital funds of a bank and limits exposure to a borrower group to not more than 40.0% of the capital funds of a bank. The capital funds for this purpose are comprised of Tier I and Tier II capital, as defined under the capital adequacy standards as per the bank's last audited balance sheet. Infusion of Tier I or Tier II capital either through domestic or overseas issuance after the audited balance sheet date is also eligible for inclusion in the capital funds for determining the exposure ceiling. In the case of infrastructure projects, such as power, telecommunications, road and port projects, an additional exposure of up to 5.0% of capital funds is allowed in respect of individual borrowers and up to 10.0% in respect of group borrowers. Banks may, in exceptional circumstances, with the approval of their boards, consider enhancement of exposure to a borrower or a borrower group by a further 5.0% of capital funds. With effect from May 2008, the RBI revised the prudential limit to 25.0% of capital funds in respect of a bank's exposure to oil companies to whom specified oil bonds have been issued by the Government of India. Banks would need to make appropriate disclosures in their annual financial statements in respect of exposures where they had exceeded the prudential exposure limits during the year.

The exposure (both lending and investment, including off balance sheet exposures) of a bank to a single NBFC or NBFC-asset financing companies ("**NBFC-AFC**") must not exceed 10.0% or 15.0%, respectively, of the bank's capital funds. Banks may however, assume exposures on a single NBFC or NBFC-AFC up to 15.0% or 20.0% of capital funds, respectively, if it is on account of funds on-lent by the NBFC or NBFC-AFC to the infrastructure sector. Exposure of a bank to infrastructure finance companies ("**IFC**") should not exceed 15.0% of its capital funds, with a provision to increase it to 20.0% if the same is on account of funds on-lent by the IFC to the infrastructure sector. Further, all banks may also consider fixing internal limits for their aggregate exposure to all NBFCs put together.

Exposure includes credit exposure (funded and non-funded credit limits) and investment exposure (including underwriting and similar commitments). The sanctioned limits or outstandings, whichever are higher, would be included when arriving at the exposure limit. However, in the case of fully drawn term loans, where there is no scope for re-drawing of any portion of the sanctioned limit, banks may consider the outstanding as the exposure. For the purpose of exposure norms, banks shall compute their credit exposures, arising on account of the interest rate and foreign exchange derivative transactions and gold, using the Current Exposure Method. While computing credit exposures, banks may exclude 'sold options', provided that the entire premium or fee or any other form of income is received or realized.

Credit exposure comprises the following elements:

- all types of funded and non-funded credit limits; and
- facilities extended by way of equipment leasing, hire purchase finance and factoring services.

Apart from limiting exposures to an individual or a group of borrowers, as indicated above, the RBI guidelines also require banks to consider fixing internal limits for aggregate commitments to specific sectors, so that their exposures are evenly spread across various sectors. These limits are subject to a periodic review by banks.

Regulations Relating to Capital Market Exposure Limits

The RBI has issued guidelines on financing to participants in the capital markets. These guidelines place a ceiling on the overall exposure of a bank to the capital markets.

The aggregate exposure that a bank has to the capital markets in all forms (both fund and non-fund based) must not exceed 40.0% of its net worth (both for the stand-alone and the consolidated bank) as of 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 exposure to VCFs must not exceed 20.0% of its net worth (both for the stand-alone and the consolidated bank). Net worth is comprised of the aggregate of paid-up capital, free reserves (including share premium but excluding revaluation reserves), investment fluctuation reserve and credit balance in the profit and loss account, less the debit balance in the profit and loss account, accumulated losses and intangible assets. There are guidelines on loans against equity shares in respect of amount, margin requirement and purpose.

The following exposures are subject to the ceiling:

- direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds, the fund assets of which are not exclusively invested in corporate debt;

- advances against shares/bonds/debentures or other securities or advances without security to individuals for investment in shares (including in primary offerings and employee stock option plans), convertible bonds, convertible debentures and units of equity-oriented mutual funds;

- 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;

- advances for any other purposes to the extent secured by collateral of shares, convertible bonds, convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares or convertible bonds or convertible debentures or units of equity oriented mutual funds does not fully secure the advances;

- secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;

- loans sanctioned to companies against the security of shares/bonds/debentures or other securities or on a clean basis for meeting a promoter's contribution to the equity of new companies;

- bridge loans to companies against expected equity flows/issues;

- underwriting commitments taken up by banks in respect of primary issues of shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds. Banks are however permitted to exclude their own underwriting commitments, and the underwriting commitments of their subsidiaries, through the book running process for the purpose of arriving at the capital market exposure of the single bank as well as the consolidated bank;

- financing to stockbrokers for margin trading; and

- all exposure to venture capital funds (both registered and unregistered).

Regulations Relating to Other Loan Exposures

The RBI requires banks to have put in place a policy for exposure to real estate with the approval of their boards. The policy is required to include exposure limits, collateral to be considered, collateral cover and margins and credit authorization. The RBI has also permitted banks to extend financial assistance to Indian companies for the acquisition of equity in overseas joint ventures or wholly owned subsidiaries or in other overseas companies, new or existing, as strategic investments. Banks are not however permitted to provide companies "acquisition finance" to acquire companies in India.

Limits on intra group transactions and exposures

In February 2014, RBI issued guidelines on the management of intra-group transactions and exposures which have been in effect since October 1, 2014. These guidelines contain both quantitative limits for the financial intra-group transactions and exposures ("**ITEs**") and prudential measures for the non-financial ITEs to ensure that the banks engage in ITEs in a prudent manner in order to contain the concentration and contagion risk arising out of ITEs. These measures are aimed at ensuring an arm's length relationship in dealings with group entities and prescribe minimum requirements with respect to group risk management and group-wide oversight and prudential limits on intra-group exposures. Effective October 2014, a bank's exposure to non-financial or unregulated financial services entity in its group will be capped at 5% of its paid-in capital and reserves and its exposure to regulated financial services company in its group will be capped at 10% of its paid-in capital and reserves. Appropriate transitional arrangements have been prescribed for banks whose exposures breach the limits once the guidelines are implemented.

Regulations Relating to Investments

Exposure Limits

Credit exposure limits specified by the RBI in respect of a bank's lending to individual borrowers and borrower groups apply in respect of non-convertible debt instruments. Within the overall capital market exposure ceiling, a bank's direct investments in equity securities, convertible bonds and debentures and units of equity-oriented mutual funds should not exceed 20.0% of its net worth as of March 31 of the previous year. A bank's aggregate investment in subordinated bonds eligible for Tier II capital status issued by other banks or financial institutions is restricted to up to 10.0% of the investing bank's capital funds (Tier I plus Tier II capital). Investments in the instruments issued by banks or financial institutions that are eligible for capital status are either risk weighted or deducted from the investee bank's capital, for capital adequacy purposes, depending upon the extent of investment as prescribed by RBI under the Basel III capital regulations.

In order to contain the risks arising out of investment by banks in non-statutory liquidity ratio ("**non-SLR**") securities, and in particular the risks arising out of investment in bonds through private placement, the RBI has issued detailed guidelines on investment by banks in non-SLR securities. Banks have been advised to restrict their new investments in unlisted securities to 10.0% of their total non-SLR investments as of March 31 of the previous year. Banks are permitted to invest in unlisted non-SLR securities within this limit, provided that such securities comply with disclosure requirements for listed companies as prescribed by the SEBI. Banks' investments in unlisted non-SLR securities may exceed the limit of 10.0% by an additional 10.0%, provided the investment is on account of investments in securitization papers issued for infrastructure projects and bonds/debentures issued by Securitization Companies ("**SC**")/Reconstruction Companies ("**RCs**") set up under SARFEASI and registered with RBI. Investments in security receipts issued by SCs/RCs registered with RBI, investments in asset-backed securities and mortgage-backed securities, which are rated at or above the minimum investment grade and investments in unlisted convertible debentures will not be treated as unlisted non-SLR securities for computing compliance with the prudential limits. The guidelines relating to listing and rating requirements of non-SLR securities do not apply to investments in VCFs, commercial paper, certificates of deposit and mutual fund schemes where any part of the corpus can be invested in equity. Banks are not permitted to invest in unrated non-SLR securities except in the case of unrated bonds of companies engaged in infrastructure activities, within the overall ceiling of 10% for unlisted non-SLR securities.

The total investment by banks in liquid/short-term debt schemes (by whatever name called) of mutual funds with a weighted average maturity of the portfolio of not more than one year, will be subject to a prudential cap of 10% of their net worth as on March 31 of the previous year. The weighted average maturity would be calculated as average of the remaining period of maturity of securities weighted by the sums invested.

Non-Performing Investments

The RBI has defined non-performing investments as those where principal or interest is unpaid for more than 90 days including preference shares where a fixed dividend is not paid or declared. The non-availability of the latest balance sheet of a company in whose equity securities a bank has invested will also render those equity shares non-performing investments. If any credit facility availed of by the issuer is an NPA in the books of the bank, investment in any of the securities issued by the same issuer would also be treated as a Non-Performing Investment ("**NPI**") and vice versa. However, if only preference shares have been classified as an NPI, the investment in any of the other performing securities issued by the same issuer may not be classified as NPI and any performing credit given to that borrower need not be treated as an NPA.

Restrictions on Investments in a Single Company

In terms of Section 19(2) of the Banking Regulation Act, no banking company may hold shares in any company except as provided in sub-section (1) of that Act, whether as pledgee, mortgagee or absolute owner of an amount exceeding 30.0% of the paid-up share capital of that company or 30.0% of its own paid-up share capital and reserves, whichever is lower. Further, in terms of Section 19(3) of the Banking Regulation Act, banks must not hold shares, whether as pledgee, mortgagee or absolute owner, in any company in the management of which the managing director, any other director or manager of the bank is in any manner concerned or interested.

Limit on Transactions through Individual Brokers

Guidelines issued by the RBI require banks to empanel brokers for transactions in securities. These guidelines also require that a disproportionate part of the bank's business should not be transacted only through one broker or a few brokers. The RBI specifies that not more than 5.0% of the total transactions through empanelled brokers can be transacted through one broker. If for any reason this limit is breached, the RBI has stipulated that the board of directors of the bank concerned should be informed on a half-year basis of such occurrences. These guidelines are not applicable to banks' dealings through Primary Dealers.

Valuation of Investments

The RBI has issued guidelines for the categorization and valuation of banks' investments. The salient features of the guidelines are given below.

- Banks are required to classify their entire portfolio of approved securities under three categories: "held for trading," "available for sale" and "held to maturity." Banks must decide the category of investment at the time of acquisition.
- Held to maturity ("**HTM**") investments compulsorily include recapitalization bonds received from the Government, investments in subsidiaries and joint ventures and investments in investments in preference shares in the nature of advance, non project related redeemable shares and the investments in units of close ended schemes of mutual funds only if such units are listed on the stock exchanges. The minimum residual maturity of these bonds must be of seven years at the time of investment in these bonds. Once invested, banks may continue to classify these investments under the HTM category even if the residual maturity falls below seven years subsequently. Held to maturity investments also include any other investments identified for inclusion in this category subject to the condition that such investments cannot exceed 25.0% of total investments. Banks are permitted to exceed the limit of 25.0% of investments for the held to maturity category provided the excess is comprised only of investments eligible for statutory liquidity ratio and the aggregate of such investments in the held to maturity category does not exceed a specified percentage of the prescribed demand and time liabilities.
- Profit on the sale of investments in the HTM category is appropriated to the capital reserve account after being taken in the income statement. Loss on any sale is recognized in the Profit & Loss Account.
- Investments under the held for trading category must be sold within 90 days; in the event of an inability to sell due to adverse factors including tight liquidity, extreme volatility or a unidirectional movement in the market, the unsold securities must be shifted, to the available for sale category.
- Available for sale and held for trading securities are required to be valued at market or fair value at prescribed intervals. The market price of the security available from the stock exchange, the price of securities in subsidiary general ledger transactions, the RBI price list or prices declared by the Primary Dealers Association of India jointly with the Fixed Income Money Market and Derivatives Association of India serves as the "market value" for investments in available for sale and held for trading securities.
- Profit or loss on the sale of investments in both the held for trading and available for sale categories is recorded in the income statement.
- Shifting of investments from or to held to maturity is generally not allowed. However, it will be permitted only under exceptional circumstances with the approval of the board of directors once a year, normally at the beginning of the accounting year; shifting of investments from available for sale to held for trading may be done, subject to depreciation, if any, applicable on the date of transfer, with the approval of the board of directors, the asset liability management committee or the investment committee; shifting from held for trading to available for sale is generally not permitted, save for under exceptional circumstances where banks are not able to sell the security within 90 days due to tight liquidity conditions, or extreme volatility, or the market becoming unidirectional, in which case transfer is permitted only with the approval of the board of directors, the asset liability management committee or the investment committee.

Held to maturity securities are not marked to market and are carried at acquisition cost. Any premium on acquisition of held to maturity securities is amortized.

Depreciation or appreciation for each basket within the available for sale and held for trading categories is aggregated. While net depreciation is provided for, net appreciation in each basket, if any, is not recognized except to the extent of depreciation already provided.

Investments in security receipts or pass through certificates issued by asset reconstruction companies or trusts set up by asset reconstruction companies are valued at the lower of redemption value of the security receipts or the net book value of the underlying financial asset.

Prohibition on Short Selling

The RBI does not permit short selling of securities by banks, except short selling of central government securities subject to stipulated conditions. The RBI has permitted scheduled commercial banks to undertake short sales of central government securities, subject to the short position being covered within a maximum period of three months, including the day of trade. The short positions must be covered only by an outright purchase of an equivalent amount of the same security or through a long position in the When Issued market or allotment in primary auction.

Regulations Relating to Deposits

The RBI has permitted banks to independently determine rates of interest offered on fixed deposits. However, banks are not permitted to pay interest on current account deposits. From April 1, 2010, payment of interest on a savings account deposit is calculated on a daily product basis against the previous practice of interest being payable on the minimum balance held in the account during the period from the tenth day to the last calendar day of the month. With effect from October 25, 2011, the RBI permitted banks to offer varying rates of interest on savings deposits of resident Indians subject to the following conditions:

- each bank will have to offer a uniform interest rate on savings bank deposits up to ₹ 0.1 million, irrespective of the amount in the account within this limit. While calculating interest on such deposits, banks are required to apply the uniform rate set by them on end-of-day balance up to ₹ one lakh; and
- for any end-of-day savings bank deposits over ₹ 0.1 million a bank may provide differential rates of interest, if it so chooses, by ensuring that it does not discriminate in interest paid on such deposits, between one deposit and another of similar amount, accepted on the same date, at any of its offices.

With effect from December 16, 2011, the RBI also permitted banks the flexibility to offer varying rates of interest on Non-Resident (External) ("**NRE**") and Non-Resident (Ordinary) ("**NRO**") deposit accounts. However, banks are not permitted to offer rates of interest on NRE or NRO deposit accounts that are higher than those offered on domestic rupee deposit accounts of the same tenor and maturity.

Previously, banks were required to pay interest of 4.0% per annum on domestic savings deposits, rupee denominated Non-Resident (External) Accounts Scheme and Ordinary Non-Resident Scheme savings deposits. In respect of savings and time deposits accepted from employees, banks are permitted to pay an additional interest of 1.0% over the interest payable on deposits from the public.

The RBI has prescribed minimum and maximum maturity thresholds for certain types of deposits.

The RBI has permitted banks the flexibility to offer varying rates of interest on domestic time deposits of the same maturity based on the size of these deposits, subject to the following conditions:

- time deposits are of ₹ 10.0 million (increased from ₹ 1.5 million with effect from April 1, 2013) and above; and
- interest on deposits is paid in accordance with the schedule of interest rates disclosed in advance by the bank and not pursuant to negotiation between the depositor and the bank.

To achieve greater financial inclusion, banks have been advised by the RBI to offer a basic savings bank deposit account without any requirement of minimum balance and without carrying a charge for the stipulated basic minimum services that would make such accounts available as a normal banking service to all.

Foreign Currency Non-Resident (Bank) Accounts

As an accelerated measure to increase foreign currency flows into the country, the RBI had, in the second half of Fiscal Year 2014, permitted banks in India to raise foreign currency non-resident (bank) ("**FCNR(B)**") deposits within a specified time period and in-turn swap them into rupees with the RBI at concessional rates. These FCNR(B) deposits could be funded by (i) inward remittances received from outside of India through the normal banking channels; (ii) debiting non-resident bank accounts maintained with an authorized dealer in India; (iii) transferring funds from existing non-resident external accounts; or (iv) any other funds which were repatriable under the extant RBI regulations. The RBI permitted FCNR(B) deposit holders to avail credit facilities (both offshore and onshore) and offer their FCNR(B) deposits as collateral for such facilities.

In January 2014, the RBI exempted the FCNR (B)/ NRE deposits raised by banks during a specified period from the legal reserve requirements. The RBI also permitted exclusion of loans made in India against these FCNR (B) /NRE deposits from the ANBC computation for priority sector lending targets.

Deposit Insurance

Demand and time deposits of up to ₹ 100,000 accepted by scheduled commercial banks in India have to be mandatorily insured with the Deposit Insurance and Credit Guarantee Corporation, a wholly-owned subsidiary of the RBI. Banks are required to pay the insurance premium to the Deposit Insurance and Credit Guarantee Corporation on a semi-annual basis. The cost of the insurance premium cannot be passed on to the customer.

Regulations Relating to Knowing the Customer and Anti-Money Laundering

The RBI has issued several guidelines on customer identification and monitoring of transactions. Banks have been advised to put in place systems and procedures to control financial frauds, identify money laundering and suspicious activities, and monitor high value cash transactions. The RBI has also issued guidelines from time to time advising banks to be vigilant while opening accounts for new customers to prevent misuse of the banking system for perpetration of frauds.

Banks have been advised to ensure that a proper policy framework on Know Your Customer ("**KYC**") and Anti-Money Laundering ("**AML**") measures duly approved by the board of directors is formulated and implemented. This framework is required to inter alia include procedures/process in relation to (a) Customer Acceptance Policy; (b) Customer Identification Procedures; (c) Monitoring of Transactions; and (d) Risk Management.

RBI guidelines require that a profile of the customers should be prepared based on risk categorization. Banks have been advised to apply enhanced due diligence for high-risk customers. The guidelines provide that banks should undertake customer identification procedures while establishing a banking relationship or carrying out a financial transaction or when the bank has a doubt about the authenticity or the adequacy of the previously obtained customer identification data. Banks must obtain sufficient information necessary to establish the identity of each new customer and the purpose of the intended banking relationship. The guidelines also provide that banks should monitor transactions depending on the account's risk sensitivity. Prevention of Money Laundering Rules, 2005 require every banking company, and financial institution, as the case may be, to identify the beneficial owner and take all reasonable steps to verify his identity. The term "beneficial owner" has been defined as the natural person who ultimately owns or controls a client and/or the person on whose behalf the transaction is being conducted, including a person who exercises ultimate effective control over a juridical person. The procedure for identification of the beneficial owner has been specified by the Government of India in the Prevention of Money Laundering Rules, 2005.

The KYC procedures for opening accounts have been simplified for 'small accounts' in order to ensure that the implementation of the KYC guidelines do not result in the denial of the banking services to those who are financially or socially disadvantaged. A 'small account' is defined as a savings account in a banking company where (i) the aggregate of all credits in a financial year does not exceed ₹ 0.1 million; (ii) the aggregate of all withdrawals and transfers in a month does not exceed ₹ 0.01 million; and (iii) the balance at any point of time does not exceed ₹ 0.05 million.

In addition to keeping customer information confidential, banks must ensure that only information relevant to the perceived risk is collected and that the same is not intrusive in nature. Apart from addressing this concern the guidelines set out in detail the framework to be adopted by banks as regards their customer dealings and are directed towards prevention of financial frauds and money laundering transactions.

In a bid to prevent money laundering activities, the Government enacted the Prevention of Money Laundering Act, 2002 (the "**PML Act**") which came into effect from July 1, 2005. The PML Act seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in, money laundering and for incidental matters or matters connected therewith.

All the instructions/guidelines issued to banks on KYC norms, AML standards and obligations of the banks under the PML Act have been consolidated in the RBI master circular on Know Your Customer norms/Anti-Money Laundering standards/Combating of Financing of Terrorism (CFT)/Obligation of banks under PML Act.

The PML Act and the rules made thereunder stipulate that banking companies, financial institutions and intermediaries (together, the "**Institutions**") shall maintain a comprehensive record of all their transactions, including the nature and value of such transaction. Further, it mandates verification of the identity of all their clients and also requires the Institutions to maintain records of their respective clients. These details are to be provided to the authority established by the PML Act, who is empowered to order confiscation of property where the authority is of the opinion that a crime as recognized under the PML Act has been committed. In addition the applicable exchange control regulations prescribe reporting mechanisms for transactions in foreign exchange and require authorized dealers to report identified suspicious transactions to the RBI.

Banks are advised to develop suitable mechanisms through an appropriate policy framework for enhanced monitoring of accounts suspected of having terrorist links, identification of the transactions carried out in these accounts and suitable reporting to the Director, Financial Intelligence Unit (India) ("**FIU**"). Banks are required to report to the FIU:

(a) all cash transactions with a value of more than ₹ 1 million or an equivalent in foreign currency;

(b) all series of cash transactions integrally connected to each other which have been valued below ₹ 1 million or an equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds ₹ 1 million;
(c) all cash transactions where forged or counterfeit currency notes or bank notes have been used and where any forgery of a valuable security or a document has taken place facilitating the transaction; and
(d) all other suspicious transactions whether or not made in cash and by such other ways as mentioned in the Rules.

Legal Reserve Requirements

Cash Reserve Ratio

Each bank is required to maintain a specific percentage of its 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 amendments made to the Reserve Bank of India Act, 1934 and the Banking Regulation Act during fiscal 2007 enhanced the operational flexibility in monetary management of the RBI. The RBI (Amendment) Act, 2006 came into force on April 1, 2007. Section 3 of this Act removed the floor and the ceiling rates on Cash Reserve Ratio ("**CRR**") and no interest was payable on the CRR balances of banks with effect from March 31, 2007. Scheduled commercial banks are exempted from maintaining CRR on the following liabilities:

(a) liabilities to the banking system in India as computed under clause (d) of the explanation to section 42(1) of the Reserve Bank of India Act, 1934;
(b) credit balances in Asian Clearing Union (US $) Accounts; and
(c) demand and time liabilities in respect of the banks Offshore Banking Units.

CRR is required to be maintained on an average basis for a two-week period and should not fall below 70.0% of the required CRR on any particular day. The CRR requirement as of March 31, 2014 was 4.0% of the prescribed net demand and time liabilities of the bank. In order to address the volatility in rupee exchange rates in early 2013, the RBI in July 2013 increased the requirement of minimum daily CRR balance maintenance to 99.0% with effect from the first day of the fortnight beginning July 27, 2013. In September 2013, the RBI reduced the minimum daily maintenance of the CRR from 99.0% of the requirement to 95.0%.

Statutory Liquidity Ratio

In order to maintain liquidity in the banking system, in addition to the CRR, each bank is required to maintain a specified percentage of its net demand and time liabilities by way of liquid assets such as cash, gold or approved securities, such as Government of India and State Government Securities. The percentage of this ratio is fixed by the RBI from time to time and was at 23.0% as of March 31, 2014. With effect from June 14, 2014, the RBI reduced the statutory liquidity ratio from 23.0% to 22.5% and with effect from August 9, 2014 this was further reduced to 22.0%. The RBI, vide its press release dated February 3, 2015 reduced the Statutory Liquidity Ratio to 21.5% effective fortnight beginning February 7, 2015. The RBI master circular on the Statutory Liquidity Ratio specifies certain liabilities which will not be included in the calculation of the Statutory Liquidity Ratio.

Regulations on Asset Liability Management

Since 1999, the RBI has issued several guidelines relating to Asset-Liability Management ("**ALM**") in banks in India. The RBI guidelines cover, inter alia, the interest rate risk and liquidity risk measurement and reporting framework, including establishing prudential limits. The guidelines require that gap statements for liquidity and interest rate risk are prepared by scheduling all assets and liabilities according to the stated and anticipated re-pricing date or maturity date. The RBI has advised banks to actively monitor the difference in the amount of assets and liabilities maturing or being re-priced in a particular period and place internal prudential limits on the gaps in each time period, as a risk control mechanism. Additionally, the RBI has advised banks to manage their asset-liability liquidity structure within negative gap limits for 1 day, 2-7 days, 8-14 days and 15-28 days set at 5.0%, 10.0%, 15.0% and 20.0% of the cumulative cash outflows in the respective time buckets in order to recognize the cumulative impact on liquidity. In respect of other time periods, the RBI has directed banks to lay down internal standards in respect of liquidity gaps. In order to recognize the cumulative impact on liquidity, banks are also advised to prepare the statement of structural liquidity on a daily basis and also undertake dynamic liquidity management. Banks are required to submit the liquidity statements periodically to RBI, as specified in these guidelines.

RBI's "Guidelines on Banks' Asset Liability Management Framework—Interest Rate Risk" issued in November

2010 mandate banks in India to evaluate interest rate risk using both methods i.e. Traditional Gap Analysis ("**TGA**") and Duration Gap Analysis ("**DGA**"). Banks are required to submit the TGA and DGA results from time to time to the RBI as mentioned in the guidelines.

Further, RBI guidelines on Stress Testing issued in 2007 has reinforced stress testing as an integral part of a bank's risk management process, and the results are used to evaluate the potential vulnerability to some unlikely but plausible events or movements in financial variables that affect both interest rate risk and liquidity risk in the bank. In December 2013, the RBI specified the minimum level of stress testing to be carried out by all banks.

In November 2012, the RBI issued enhanced guidelines on liquidity risk management by banks. These guidelines consolidate various instructions on liquidity risk management that the RBI had issued from time to time, and where appropriate, harmonize and enhance these instructions in line with the principles for sound liquidity risk management and supervision issued by the Basel Committee on Banking Supervision ("**BCBS**"). The RBI's guidelines require banks to establish a sound process for identifying, measuring, monitoring and controlling liquidity risk, including a robust framework for comprehensively projecting cash flows arising from assets, liabilities and off-balance sheet items over an appropriate time horizon. The key items covered under these guidelines include: i) governance of liquidity risk management including liquidity risk management policy, strategies and practices and liquidity risk tolerance; ii) management of liquidity risk, including identification, measurement and monitoring of liquidity risk; iii) collateral position management; iv) intra-day liquidity position management; and v) stress testing.

In June 2014, the RBI issued guidelines in relation to liquidity coverage ratio ("**LCR**"), liquidity risk monitoring tools and LCR disclosure standards pursuant to the publication of the 'Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools' in January 2013 and the 'Liquidity Coverage Ratio Disclosure Standards' in January 2014 by the Basel Committee On Banking Supervision. The objective of the LCR standard is to ensure that a bank maintains an adequate level of unencumbered high quality liquid assets which could be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario. The LCR requirement of 100% is being implemented in a phased manner over a period of four years, with a minimum requirement of 60% effective January 1, 2015.

Foreign Currency Dealership

The RBI has granted us a full-fledged Authorized Dealers' License to deal in foreign exchange through our designated branches. Under this license, we have been granted permission to: engage in foreign exchange transactions in all currencies; open and maintain foreign currency accounts abroad; raise foreign currency and rupee-denominated deposits from non-resident Indians; grant foreign currency loans to on-shore and off-shore corporations; open documentary credits; grant import and export loans; handle collection of bills and funds transfer services; issue foreign currency guarantees; and enter into derivative transactions and risk management activities that are incidental to our normal functions authorized under our organizational documents and as permitted under the provisions of the Banking Regulation Act.

Our foreign exchange operations are subject to the guidelines contained in the Foreign Exchange Management Act, 1999 ("**Foreign Exchange Management Act**"). As an authorized dealer, we are, as required, enrolled as a member of the Foreign Exchange Dealers Association of India ("**FEDAI**") which prescribes the rules relating to the foreign exchange business in India.

We are required to determine our limits on open positions and maturity gaps in accordance with RBI guidelines and within limits approved by the RBI. Further, we are permitted to hedge foreign currency loan exposures of Indian corporations in the form of interest rate swaps, currency swaps and forward rate agreements, subject to certain conditions.

Capital and provisioning requirements for bank's exposures to entities with unhedged foreign currency exposure

In January 2014, the RBI introduced incremental provisioning and capital requirements for a bank's exposure to entities with unhedged foreign currency exposure. These guidelines are applicable with effect from April 1, 2014. These guidelines require banks to collect specific information from its customers and assess the extent to which the customer is exposed to unhedged foreign currency on account of the volatility in the exchange rate of Rupee vis-à-vis foreign currencies. The guidelines prescribe the methodology to be followed by banks for calculating the incremental provision and capital requirements.

Setting up wholly owned subsidiaries by foreign banks

In November 2013, the RBI released its framework for establishing wholly owned subsidiaries of foreign banks in India, which aims to tighten regulatory control and encourage foreign banks to convert their existing branches into wholly owned subsidiaries.

Key features of the framework include:

- requiring certain foreign banks, including banks with complex structures and banks belonging to jurisdictions which: (i) do not have adequate disclosure requirements; or (ii) have legislation which give preferential treatment to deposits of the home country in a winding up proceeding, to set up a wholly owned subsidiary in order to enter the Indian market;

- permitting foreign banks which do not fall under the above categories to either set up a branch office or a wholly owned subsidiary;

- offering near national treatment to wholly owned subsidiaries of foreign banks, subject to certain conditions;

- requiring newly incorporated wholly owned subsidiaries to have an initial minimum paid-up voting equity capital of 5 billion rupees. In the case of existing branches of foreign banks which wish to convert into a wholly owned subsidiary, it must have a minimum net worth of 5 billion rupees;

- requiring at least 50% of the board of directors of wholly owned subsidiaries to be Indian nationals, non-resident Indians or persons of Indian origin; and

- mandating that wholly owned subsidiaries comply with the priority sector lending requirements applicable to domestic commercial banks.

Statutes Governing Foreign Exchange and Cross-Border Business Transactions

Foreign exchange and cross border transactions undertaken by banks are subject to the provisions of the Foreign Exchange Management Act. All banks are required to monitor the transactions in all non-resident accounts to prevent money laundering. These transactions are governed by the provisions of the Foreign Exchange Management Act, and the PML Act.

In terms of the guidelines prescribed by the RBI, overseas foreign currency borrowings by banks in India (including overdraft balances in nostro accounts not adjusted within five days) should not exceed 100.0% of its unimpaired Tier I capital or US$ 10 million (or its equivalent), whichever is higher. The aforesaid limit applies to the aggregate amount availed of by all the offices and branches in India from all their branches and correspondents abroad and includes overseas borrowings in gold for funding domestic gold loans.

The following borrowings would continue to be outside the above limit:

1. overseas borrowing by banks for the purpose of financing export credit subject to certain conditions prescribed by the RBI;

2. capital funds raised or augmented by the issue of Innovative Perpetual Debt Instruments and Debt Capital Instruments in foreign currency;

3. subordinated debt placed by head offices of foreign banks with their branches in India as Tier II capital; and

4. any other overseas borrowing with the specific approval of the RBI.

Special Provisions of the Banking Regulation Act

Prohibited Business

Section 6 of the Banking Regulation Act specifies the business activities in which a bank may engage. Banks are prohibited from engaging in business activities other than the specified activities.

Reserve Fund

Any bank incorporated in India is required to create a reserve fund to which it must transfer not less than 25.0% of the profits of each year before any dividend is declared. Banks are required to take prior approval from the RBI before appropriating any amount from the reserve fund or any other free reserves. The Government may, on the recommendation of the RBI, exempt a bank from requirements relating to its reserve fund.

Restrictions on Payment of Dividends

The Banking Regulation Act requires that a bank pay dividends on its shares only after all of its capital expenses (including preliminary expenses, organization expenses, share selling commissions, brokerage on public offerings, amounts of losses and any other items of expenditure not represented by tangible assets) have been completely written off. The Government may exempt banks from this provision by issuing a notification on the recommendation of the RBI.

Banks that comply with the following prudential requirements are eligible to declare dividends:

- capital adequacy ratio must be at least 9.0% for the preceding two completed years and the accounting year for which the bank proposes to declare a dividend;
- net non-performing assets must be less than 7.0% of advances. In the event a bank does not meet the above capital adequacy norm, but has capital adequacy of at least 9.0% for the fiscal year for which it proposes to declare a dividend it would be eligible to declare a dividend if its net non-performing asset ratio is less than 5%;
- the bank has complied with the provisions of Sections 15 and 17 of the Banking Regulation Act;
- the bank has complied with the prevailing regulations/guidelines issued by the RBI, including creating adequate provisions for the impairment of assets and staff retirement benefits and the transfer of profits to statutory reserves;
- dividends should be payable out of the current year's profits; and
- the RBI has not placed any explicit restrictions on the bank for declarations of dividends.

Banks which comply with the above prudential requirements can pay dividends subject to compliance with the following conditions:

- the dividend payout ratio (calculated as a percentage of "dividends payable in a year" (excluding dividend tax) to "net profit during the year") should not exceed 40.0%. The RBI has prescribed a matrix of criteria linked to the capital adequacy ratio and the net non-performing assets ratio in order to ascertain the maximum permissible range of the dividend payout ratio; and
- if the financial statements for which the dividend is declared have any audit qualifications which have an adverse bearing on the profits, the same should be adjusted while calculating the dividend payout ratio.

In case the profit for the relevant periods includes any extra-ordinary profits/income, the payout ratio shall be computed after excluding such extra-ordinary items for compliance with the prudential payout ratio.

Restriction on Share Capital and Voting Rights

Banks were earlier permitted to issue only ordinary shares. In January 2013, the Banking Regulation Act was amended to, inter alia, permit banks to also issue preference shares. However, guidelines governing the issuance of preference shares are yet to be issued. The amended Banking Regulation Act also permits the RBI to increase the cap on the voting rights of a single shareholder of a private bank from the existing cap of 10.0% to 26.0% in a phased manner.

Restriction on Transfer of Shares

RBI approval is required before a bank can register the transfer of shares to an individual or group which acquires 5.0% or more of its total paid-up capital.

Regulatory Reporting and Examination Procedures

The RBI is empowered under the Banking Regulation Act to inspect the books of accounts and the other operations of a bank. The RBI monitors prudential parameters at regular intervals. The findings of these inspections are provided to banks, who are required to comply with the actions recommended in order to correct any discrepancies in their operations as contained in the inspection findings within a stipulated time frame. Further, banks are required to keep the inspection report confidential as per the instructions issued by the RBI. To this end and to enable off-site monitoring and surveillance by the RBI, banks are required to report to the RBI on financial and operating measures such as:

- assets, liabilities and off-balance sheet exposures;
- the risk weighting of these exposures, the capital base and the capital adequacy ratio;
- asset quality;
- concentration of exposures;
- connected and related lending and the profile of ownership, control and management; and
- other prudential parameters.

The RBI also conducts periodic on-site inspections of matters relating to the bank's capital, asset quality, management, earnings, liquidity and systems and controls on an annual basis. We have been subjected to on-site inspection by the RBI at yearly intervals. The inspection report, along with the report on actions taken by us, has to be placed before our Board of Directors. On approval by our Board, we are required to submit the report on actions taken by us to the RBI. The RBI also discusses the findings of the inspection with our management team along with members of the Audit Committee of our Board.

The RBI also conducts on-site supervision of selected branches of banks with respect to their general operations and foreign exchange related transactions.

The RBI has rolled-out a risk based supervision ("**RBS**") framework which envisages continuous monitoring of banks through robust offsite reports to the RBI coupled with need based on-site inspection. This framework has been implemented by RBI for specific banks with effect from fiscal 2014. We have been identified as one of the banks under the RBS framework.

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.

In March 2013, there were certain allegations published in the media against us and other banks in the private sector. We investigated, as a matter of priority, if any breach of the KYC and AML guidelines specified by the RBI had occurred. The RBI also conducted a scrutiny of our books of accounts, internal control, compliance systems and processes during March and April 2013. The scrutiny did not reveal any incident of money laundering. However, the RBI discovered certain irregularities and violations, namely, non-observance of certain safeguards in respect of arrangement of "at par" payment of checks drawn by cooperative banks, exceptions in periodic review of risk profiling of account holders, non-adherence to KYC rules for walk-in customers (non-customers) including for sale of third party products, sale of gold coins for cash in excess of ₹ 50,000 and non-submission of proper information required by the RBI. Based on its assessment, the RBI imposed a monetary penalty of ₹ 45 million on us in June 2013, which we have paid. A press release dated July 15, 2013 issued by the RBI states that a similar scrutiny was also conducted at the offices of 29 other banks during April 2013. The RBI levied a penalty of ₹ 495.1 million on 22 of these banks and issued cautionary letters to seven banks.

Further, in this regard, the 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. As of the date of this Placement Document, we are in the process of filing an appeal against the FIU order as permitted by the order. 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."

During fiscal 2014, the RBI carried out a scrutiny of a corporate borrower's loan and current accounts maintained with 12 Indian banks, including us. The RBI had issued show cause notices to these banks in March 2014. 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, which we have paid, 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'.

Assets to be maintained in India

Every bank is required to ensure that its assets in India (including import-export bills drawn on/in India and the RBI approved securities, even if the bills and the securities are held outside India) are not less than 75% of its demand and time liabilities in India.

Secrecy Obligations

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.

Subsidiaries and Other Investments

Banks require the prior permission of the RBI to incorporate a subsidiary. Banks are required to maintain an "arms-length" relationship in respect of their subsidiaries and are prohibited from taking actions such as taking undue advantage in borrowing or lending funds, transferring or selling or buying securities at rates other than market rates, giving special consideration for securities transactions, overindulgence in supporting or financing subsidiaries and financing its clients through them when it itself is not able or not permitted to do so. Banks and their subsidiaries have to observe the prudential standards stipulated by the RBI, from time to time, in respect of their underwriting commitments.

Banks also require the prior specific approval of the RBI to participate in the equity of financial services ventures including stock exchanges and depositories, notwithstanding the fact that such investments may be within the ceiling prescribed under Section 19(2) of the Banking Regulation Act. Further, investment by a bank in its subsidiaries, financial services companies or financial institutions should not exceed 10.0% of its paid-up capital and reserves. Investments by banks in companies which are not its subsidiaries and are not financial services companies would be subject to a limit of 10% of the investee company's paid up share capital or 10% of the bank's paid up share capital and reserves, whichever is less. Any investment above this limit will be subject to the RBI approval except as provided otherwise. Equity investments in any non-financial services company held by (a) a bank; (b) bank's subsidiaries, associates or joint ventures or entities directly or indirectly controlled by the bank; and (c) mutual funds managed by Asset Management Companies (AMCs) controlled by the bank should in the aggregate not exceed 20% of the investee company's paid up share capital. Further, a bank's equity investments in subsidiaries and other entities that are engaged in financial services activities together with equity investments in entities engaged in non-financial services activities should not exceed 20% of the bank's paid-up share capital and reserves.

Guidelines for Merger/Amalgamation of Private Sector Banks

The RBI issued detailed guidelines in May 2005 on the merger or amalgamation of private sector banks and for the amalgamation of a non-banking finance company with a banking company. The guidelines lay down the process for a merger proposal, the determination of swap ratios, disclosures, the stages at which the board of directors will get involved in the merger process and norms of buying and selling of shares by the promoters before and during the merger process.

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 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.

In January 2012, the RBI issued revised guidelines relating to salary and other remuneration payable to whole time directors, chief executive officers and other risk takers of new private sector banks. With these guidelines, the RBI aims to achieve effective governance of compensation, alignment of compensation with prudent risk-taking and require banks to make appropriate disclosures in their financial statements. Banks are required to formulate and adopt a comprehensive compensation policy in line with the guidelines covering all their employees and conduct annual review thereof. The policy should cover all aspects of the compensation structure such as fixed pay, perquisites, bonus, variable pay deferrals, guaranteed pay, severance package, stock, pension plan and gratuity. These guidelines became effective from the fiscal year 2012-13. The guidelines also state that private sector banks would be required to obtain regulatory approval for grant of remuneration to whole time directors/chief executive officers in terms of Section 35B of the Banking Regulation Act, on a case-to-case basis.

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 SEBI regulations 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.

Foreign Ownership Restriction

Aggregate foreign investment from all sources, 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 FIPB. Pursuant to a letter dated February 4, 2015, FIPB has approved foreign investment in the Bank up to 74% of its paid up capital. The approval is subject to compounding from the RBI for the change of foreign shareholding since April 2010. As of September 30, 2014, foreign investment in the Bank, including the shareholdings of HDFC Limited and its subsidiaries, constituted 73.5% of the paid up capital of the Bank.

The aggregate shareholding by FPIs/FIIs under portfolio investment schemes through stock exchanges may not exceed 49.0% of our paid-up equity share capital and individual shareholding of an FPI/FII shall be below 10% of our paid-up equity share capital. Further, as per the existing policy of the RBI, any allotment or transfer of shares which will take the aggregate shareholding of an individual or a group to an equivalent of 5.0% or more of our paid-up capital would require the prior acknowledgement of the RBI before we can affect the allotment or transfer of shares.

Moratorium, Reconstruction and Amalgamation of Banks

A bank can apply to the high court for the suspension of its business. The high court, after considering the application of the bank, may order a moratorium staying commencement of an action or proceedings against the relevant banking company for a maximum period of six months. During such period of moratorium, if the RBI is satisfied that it is: (a) in the public interest; or (b) in the interest of the depositors; or (c) in order to secure the proper management of the bank; or (d) in the interests of the banking system of the country as a whole, it may prepare a scheme for the reconstruction of the bank or amalgamation of the bank with any other bank. In circumstances entailing reconstruction of the bank or amalgamation of the bank with another bank, the RBI would invite suggestions and objections on the draft scheme prior to placing the scheme before the Government for its sanction. The Government may sanction the scheme with or without modifications. The law does not require consent of the shareholders or creditors of such banks.

Special Status of Banks in India

The special status of banks is recognized under various statutes including the Sick Industrial Companies ("**Special Provisions**") Act, 1985 ("**SICA**"), Recovery of Debts Due to Banks and Financial Institutions Act, 1993 ("**DRT Act**") and the SARFAESI Act. As a bank, we are entitled to certain benefits under the DRT Act which provide for the establishment of Debt Recovery Tribunals for expeditious adjudication and recovery of debts due to any bank or Public Financial Institution or to a consortium of banks and Public Financial Institutions. Under the DRT Act, the procedures for recovery of debt have been simplified and indicative time frames been fixed for speedy disposal of cases. Upon establishment of the Debt Recovery Tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by this Act, except the higher courts in India in certain circumstances. The SICA provides for reference of "sick" industrial companies, to the Board for Industrial and Financial Reconstruction ("**BIFR**"). Under the SICA, other than the board of directors of a company, a scheduled bank (where it has an interest in the "sick" industrial company by any financial assistance or obligation, rendered by it or undertaken by it) may refer the company to the BIFR. The SICA has been repealed by the Sick Industrial Companies (Special Provisions) Repeal Act, 2003 (the "**SICA Repeal Act**"). However, pursuant to the SICA Repeal Act, which is due to come into force on a date to be notified by the central Government in the official gazette, the provisions of the Companies Act, 2013 or the Companies Act, 1956 (as applicable) will apply in relation to "sick" companies, under which the reference must be made to the National Company Law Tribunal, in place of the BIFR.

The SARFAESI Act focuses on improving the rights and simplifying the procedures for enforcement of security interest of banks and financial institutions and other specified secured creditors as well as asset reconstruction companies by providing that such secured creditors can take over management control of a borrower company upon default and/or sell assets without the intervention of courts, in accordance with the provisions of the SARFAESI Act. It also provides the legal framework for the securitization and reconstruction of financial assets.

Credit Information Bureau

The Parliament of India has enacted the Credit Information Companies (Regulation) Act, 2005, pursuant to which every credit institution, including a bank, has to become a member of a credit information bureau and furnish to it such credit information as may be required of the credit institution by the credit information bureau about persons who enjoy a credit relationship with it. Other credit institutions, credit information bureaus and such other persons as the RBI specifies may access such disclosed credit information.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The Board presently consists of 10 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 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 and any other matter 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. Dr. Pandit Palande has specialized knowledge and experience in the agricultural sector. Vijay Merchant, who has specialized knowledge and experience in small-scale industry was our director on the Board until October 4, 2014. The Bank is in the process of appointing a director in place of Vijay Merchant who relinquished his office as director having attained the age of 70. Further, under the Banking Regulation Act, the appointment of 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 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 2, 2018 **Nationality**: Indian	65	Non-executive part-time Chairperson
2.	**Aditya Puri** **Address**: 1001-1002, Vinayak Aangan, Old Prabhadevi Road, Prabhadevi, Mumbai 400 025 **Occupation**: Service **DIN**: 00062650	64	Managing Director

Sr. No.	Name, Address, Occupation, DIN, Term and Nationality	Age	Designation
	Term: Up to October 31, 2015 **Nationality**: Indian		
3.	**Paresh Sukthankar** **Address**: Flat No. 701 & 702, Seventh floor, C wing, Raheja Atlantis, G.K.Marg, Lower Parel, Mumbai 400 013 **Occupation**: Service **DIN**: 01843099 **Term**: Three years with effect from June 13, 2014 **Nationality**: Indian	52	Deputy Managing Director
4.	**Anami N. Roy** **Address**: 62, Sagar Tarang, Worli Sea Face, Mumbai 400 030 **Occupation**: Retired director General of Police **DIN**: 01361110 **Term**: Up to January 26, 2019 **Nationality**: Indian	64	Independent 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	50	Independent Director
6.	**Dr. Pandit Palande** **Address**: At & Post Mukhai, Taluka, Shirur Disrict, Pune (Maharashtra) **Occupation**: Service **DIN**: 01572615 **Term**: Up to April 23, 2015 **Nationality**: Indian	53	Independent Director

Sr. No.	Name, Address, Occupation, DIN, Term and Nationality	Age	Designation
7.	**Partho Datta** **Address**: 19/2, Dover Road, Ballygunge, Kolkata 700 019 **Occupation**: Service **DIN**: 00040345 **Term**: Up to September 29, 2018 **Nationality**: Indian	66	Independent Director
8.	**Renu Karnad** **Address**: BB-14, Greater Kailash Enclave-II, New Delhi 110 048 **Occupation**: Service **DIN**: 00008064 **Term**: Liable to retire by rotation **Nationality**: Indian	62	Non-executive Director
9.	**Keki Mistry** **Address**: Flat No. 2603,B-wing,Vivarea, Sane Guruji Marg, Mahalaxmi 400 011 **Occupation**: Service **DIN**: 0008886 **Term**: Liable to retire by rotation **Nationality**: Indian	60	Non-executive Director
10.	**Kaizad Bharucha** **Address**: 401, Buena Vista, St.Alexious Road St.Alexious Road, Bandra (West). Mumbai 400 050 **Occupation**: Service **DIN**: 2490648 **Term**: Three years with effect from June 13, 2014 **Nationality**: Indian	49	Executive 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 member of the RBI's board of directors, she guided and influenced national policies in diverse areas of financial sector regulation and supervision, the development and regulation of financial markets, capital account management, management of government borrowings, foreign exchange reserves management and payment and settlement systems. 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 also participated in Financial Sector Assessment Program missions to Tanzania, Nigeria, Hungary and Poland. She was actively involved in managing India's balance of payments crisis in 1991,the fall out of the Asian and the Russian crises and the recent financial crisis in the Indian financial system. She assisted the Narasimhan Committee on Financial Sector Reforms, Chaired the Committee on Holding Companies and the Government Committee on Comprehensive Review of National Small Savings Fund. She has been RBI's nominee on a few public sector banks and financial institutions and handled the Uruguay Round negotiations on Financial Services between 1994-97. She served as Chairperson Advisory Board on Bank, Commercial and Financial Frauds for two years from 2012 to 2014. She is currently Chairperson Clearing Corporation of India Limited (CCIL) and its subsidiary Clearcorp Dealing Systems (India) Limited (Clearcorp), independent director on Tata Elxsi Limited (TEL), Indian Oil Corporation Limited (IOCL), Gas Authority of India Limited (GAIL), E.I.D-Parry (India) Limited (E.I.D-Parry), NDDB Dairy Services Ltd (a not-for profit company) and Vodafone India Limited. She is an Independent Non-Executive of EY Global Governance Council. She is also Chairperson of the Corporate Bonds and Securitisation Advisory Committee of SEBI. She does not hold any shares in the Bank.

Aditya Puri 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 CEO of Citibank, Malaysia from 1992 to 1994. He has been the Managing Director of the Bank since September 1994. He has nearly 40 years of experience in the banking sector in India and abroad. He is not a director of any other company in India.

Paresh Sukthankar is the Deputy Managing Director of the Bank. He has a Master's degree in Management Studies from Jamnalal Bajaj Institute, Mumbai and has completed the Advanced Management Program from Harvard Business School. He has been with the Bank since its inception in 1994. He has direct or supervisory responsibilities for the Bank's Credit and Risk Management, Finance and Human Resources functions and for various strategic initiatives of the Bank. Prior to joining the Bank, he worked in Citibank for around approximately nine years in various departments, including corporate banking, risk management, financial control and credit administration. He has been a member of various committees formed by the RBI and Indian Banks' Association. He is not a director of any other company in India.

Anami N. Roy is an Independent Non-Executive Director of the Bank. He holds Master's degrees in Arts and Philosophy and is a distinguished retired civil servant. During his long career of 38 years in the Indian Police Service, he held a range of assignments both in the state of Maharashtra and for the Government of India, including Commissioner of Police, Mumbai and Director General of Police, Maharashtra before retiring in 2010. His areas of specialization include policy planning, budget, recruitment, training and other finance and administrative functions in addition to operational matters. He was instrumental in introducing technology solutions in the Indian police force, for example, in relation to citizen facilitation. He also held the position of Director General of the Anti-Corruption Bureau, in which capacity he initiated a policy document on vigilance matters for the Government of Maharashtra. He has wide knowledge and experience of security and intelligence matters at the state and national levels. Having handled multifarious field and staff assignments. He has extensive experience in functioning of the government at various levels and of problem solving. He is a director on the boards of India Venture Advisors Private Limited, Glaxo SmithKline Pharmaceuticals Limited, Mayar Infrastructure Development Private Limited, The Skills Academy Private Limited and Bharat Heavy Electricals Limited. He is a member of the Senior Executives Compensation Committee of Glaxo SmithKline Pharmaceuticals Limited. He is the Chairman of Vandana Foundation, a non-profit company registered under section 25 of the Companies Act, 1956.

Bobby Parikh is an Independent Non-Executive Director of the Bank. He holds a Bachelor's degree in Commerce from Mumbai University and qualified as a Chartered Accountant in 1987. He is a Senior Partner with BMR & Associates LLP and leads its financial services practice. Prior to joining BMR & Associates LLP, he was the Chief Executive Officer of Ernst & Young in India and held that responsibility until December 2003. He worked with Arthur Andersen for over 17 years and was its Country Managing Partner, until the Andersen practice combined with that of Ernst &Young in June 2002. Over the years, he has had extensive experience in advising clients across a range of industries. An area of focus for he has been to work with businesses, both Indian and multinational, in interpreting the implications of the deregulation as well as the changes to India's policy framework, to help businesses better leverage opportunities that have become available and to address challenges that resulted from such changes. He has led teams that have advised clients in the areas of entry strategy (multinational companies into India and Indian companies into overseas markets), business model identification, structuring a business presence, mergers, acquisitions and other business reorganizations. He works closely with regulators and policy formulators, in providing inputs to aid in the development of new regulations and policies, and in assessing the implications and efficacy of these and providing feedback for action. He led the Financial Services industry practice at Arthur Andersen and then also at Ernst & Young, and has advised a number of banking groups, investment banks, brokerage houses, fund managers and other financial services intermediaries in establishing operations in India, mergers and acquisitions and in developing structured financial products, besides providing tax and business advisory and tax reporting services at Ernst & Young. He has been a member of a number of trade and business associations and their management or other committees, as well as on the advisory or executive boards of non-Governmental and not-for-profit organizations. He is a director of Taxand Advisors Private Limited, BMR Global Services Private Limited, BMR Business Solutions Private Limited, BMR Advisors Pte Limited, Aviva Life Insurance Company India Limited, Green Infra Limited, Indostar Capital Finance Limited, Birla Sun Life Asset Management Company Limited and Green Infra Wind Ventures Private Limited. He is a Chairman of Audit Committee of Aviva Life Insurance Company India Limited, Green Infra Limited and Indostar Capital Finance Limited as well as a member of Audit Committee of Birla Sun Life Asset Management Company Limited. He is a member of Investment Committee, Asset Liability Management Committee and Remuneration Committee of Aviva Life Insurance Company India Limited, member of Compensation Committee of Green Infra Limited and a member of Compensation and Nomination Committee as well as Risk Management Committee of Indostar Capital Finance Limited. He is one of the financial experts on the Audit and Compliance Committee of the Board of the Bank.

Dr. Pandit Palande has a Ph.D. in Business Administration. He has completed an advanced course in Management at Oxford University and Warwick University in UK. He has been working as a Director of the School of Commerce and Management for 20 years in Yashwantrao Chavan Maharashtra Open University ("**YCMOU**"). He is a former Pro-Vice Chancellor of YCMOU. He has extensive experience working in the fields of business administration, management and agriculture. Presently, he is the Vice Chancellor of BRA Bihar University, Muzzafarpur. He is not a member of the Board of Directors of any other company.

Partho Datta is an Independent Non-Executive 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. Thereafter, he joined the Chennai based Murugappa Group 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 a director of Peerless Funds Management Company Limited, IRIS Business Services Limited, Endurance Technologies Private Limited and Peerless General Finance and Investment Company Ltd. He is the Chairman of Audit Committee and member of the Risk Management Committee, Investment Committee and Nomination & Remuneration Committee of Peerless Funds Management Company Limited. He is also the Chairman of the Audit Committee of Endurance Technologies Private Limited. He is a member of the Audit Committee and Board Special Committee of IRIS Business Services Limited. He has extensive experience in various Financial and Accounting matters including financial management, investor relations, foreign exchange risk management, international financing, international tax, mergers and acquisitions and strategic planning. He is one of the financial experts on the Audit and Compliance Committee of the Board of the Bank.

Renu Karnad is a Non-Executive Director of the Bank. She is a law graduate from University of Mumbai and also holds a Master's Degree in Economics from Delhi University. She is a Parvin Fellow- Woodrow Wilson School of International Affairs, Princeton University, U.S.A. She is a director on the board of directors of BOSCH Limited, Credit Information Bureau (India) Limited, GRUH Finance Limited, Housing Development Finance Corporation Limited, HDFC Asset Management Company Limited, HDFC Ergo General Insurance Company Limited, HDFC Standard Life Insurance Company Limited, HDFC Property Ventures Limited, Credila Financial Services Private Limited, Indraprastha Medical Corporation Limited, EIH Limited, ABB Limited, Feedback Infrastructure Services Private Limited, G4S Corporate Services (India) Private Limited and Lafarge India Private Limited and Bhavishya Alliance Child Nutrition Initiatives. She is also a director of H T

Parekh Foundation, HDFC PLC, Maldives, WNS (Holdings) Limited and HIREF International LLC. Mrs. Karnad is the Chairperson of the Audit Committee of Credit Information Bureau (India) Limited and Bosch Limited. She is a member of the Audit Committee of HDFC ERGO General Insurance Company Limited and member of Investor Grievance Committee of BOSCH Limited. She is the Chairperson of Risk Management Committee of HDFC Standard Life Insurance Company Limited. She is also a member of Investment Committee, Compensation Committee, Compensation-ESOS Committee, Committee of Directors of GRUH Finance Limited; Customer Service Committee and Risk Management Committee of HDFC Asset Management Company Limited; Remuneration Committee of Credit Information Bureau (India) Limited; Investment Sub Committee and Property Sub Committee of BOSCH Limited.

Keki Mistry is a Non-Executive Director of the Bank. He has obtained a bachelor's degree in Commerce from the University of Mumbai. He is also a Fellow Member of the ICAI. Mr. Mistry started his career with The Indian Hotels Company Limited. In 1981, he joined Housing Development Finance Corporation Limited ("**HDFC Limited**"). He was inducted on 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 also a director on the board of directors of HDFC Asset Management Company Limited, HDFC Standard Life Insurance Company Limited, HDFC ERGO General Insurance Company Limited, GRUH Finance Limited, Sun Pharmaceutical Industries Limited, Greatship (India) Limited, Next Gen Publishing Limited, Shrenuj and Company Limited, Torrent Power Limited and HCL Technologies Limited. He is also member on the India Advisory Board of PriceWaterhouse Coopers and director of Griha Investments, Mauritius, India Value Fund Advisors Private Limited, the H T Parekh Foundation, Griha Pte, Singapore and CDC Group, London. He is the Chairman of the Audit Committee of Sun Pharmaceuticals Industries Limited, Greatship (India) Limited and Torrent Power Limited. He is a member of the Audit Committee of HDFC Standard Life Insurance Company Limited, HDFC ERGO General Insurance Company Limited, HDFC Asset Management Company Limited, GRUH Finance Limited, Shrenuj and Company Limited and HCL Technologies Limited. He is a member of the Investment and Executive Committee of HDFC Standard Life Insurance Company Limited, a member of the Investment Committee of HDFC ERGO General Insurance Company Limited, a member of the Investment Committee, Risk Management Committee, Indemnity Committee, Oversight Committee and Share Allotment Committees of HDFC Asset Management Company Limited, member of remuneration Committee of Gruh Finance Limited, member of Selection and Remuneration Committees of Greatship (India) Limited and a member of Selection Committee of Torrent Power Limited.

Kaizad Bharucha is an Executive Director in the wholetime employment of the Bank. He holds a Bachelor's degree in Commerce from Mumbai University. Prior to his appointment as an Executive Director, he has served as Group Head-Wholesale Banking and Group Head-Credit and Market Risk and is responsible for Corporate Banking, Emerging Corporate Group, Business Banking, Capital Markets Business, Agri-lending and Department Ffor Special Operations. He has a rich experience of 27 years in the Banking and Financial sector and has been associated with the Bank since 1995. 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 the Bank as a member of the Working Group constituted by RBI to examine the role of Credit Information Bureau and on the sub-committee with regard to adoption of Basel II guidelines. He is a Director on the board of directors of HDB Financial Services Limited and HBL Global Private Limited. He was earlier on the board of directors of International Asset Reconstruction Company Private Limited.

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 ₹ 200 billion over and above the aggregate paid-up capital and free reserves of the Bank at any time.

Interest of the Directors

All of the 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 Managing Director and part-time Chairperson may also be deemed to be interested to the extent of remuneration paid to them for services rendered.

All of the Directors may also be regarded as interested in any Equity Shares or any stock options held by them and also to the extent of any dividend payable to them and other distributions in respect of such Equity Shares held by them. All Directors may also be regarded as interested in the Equity Shares held by, or subscribed by and allotted to, their relatives or the companies, firms and trust, in which they are interested as directors, members, partners, trustees.

Except as stated below, we have not entered into any contract, agreement or arrangement during the preceding two years from the date of this 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:

- The Bank has entered into a rent agreement with Salisbury Investments Private Limited in which Aditya Puri's children as majority shareholders. The rent agreement is with effect from April 1, 2013 and the Bank pays a rent of ₹ 0.55 million per month and has paid a deposit of ₹ 35 million under this agreement.

- The Bank has entered into a lease arrangement with Paresh Sukthankar for a period of three years from June 3, 2014. The Bank pays a rent of ₹ 0.36 million per month and has paid a deposit of ₹ 17.5 million under this arrangement.

- The Bank has entered into a lease arrangement with Kaizad Bharucha for a period of three years from June 3, 2014. The Bank pays a rent of ₹ 0.31 million per month and has paid a deposit of ₹ 7.6 million under this arrangement.

Shareholding of Directors

The following table sets forth the shareholding of the Directors in the Bank as of December 31, 2014:

Name	Number of Equity Shares	Percent of Total Number of Outstanding Equity Shares
Aditya Puri	2,731,544	0.11
Kaizad Bharucha	8,29,455	0.03
Paresh Sukthankar	660,655	0.03
Keki Mistry	291,915	0.01
Renu Karnad	3837	-
Bobby Parikh	812	-
Shyamala Gopinath	Nil	Nil
Anami N. Roy	Nil	Nil
Dr. Pandit Palande	Nil	Nil
Partho Datta	Nil	Nil

Notes:

Terms of appointment of the Executive Directors

1. 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 13, 2012. The RBI has, pursuant to its letter dated January 28, 2014, approved his re-appointment with effect from April 1, 2013 with an annual remuneration of ₹ 32,279,400 with effect from April 1, 2013, which includes salary and allowances. The Board pursuant to a resolution dated June 25, 2014 revised his remuneration for the period April 1, 2014 to March 31, 2015 to ₹ 37,116,000 and a performance bonus of ₹ 15,480,150 for the period April 1, 2013 to March 31, 2014. He is also entitled to perquisites, provident fund, gratuity, retirement benefits, performance bonus and employee stock options.

2. Paresh Sukthankar

   Paresh Sukthankar was re-appointed as the Deputy Managing Director of the Bank pursuant to the Board resolution dated December 24, 2013 passed by the Board of Directors. Our shareholders approved his appointment pursuant to the postal ballot results announced on March 12, 2014. The RBI has, pursuant to its letter dated June 13, 2014, approved his re-appointment for a period of three years from June 13, 2014. Paresh Sukthankar is entitled to an annual remuneration of ₹ 22,514,700 which includes salary and allowances. The Board pursuant to a resolution dated October 21, 2014 approved the payment of performance bonus to ₹ 9,237,255 for the financial year 2013-2014. 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.

3. Kaizad Bharucha

Kaizad Bharucha was appointed as an Executive Director of the Bank pursuant to a resolution dated December 24, 2013 passed by the Board of Directors. Our shareholders approved his appointment pursuant to the postal ballot results announced on March 12, 2014. The RBI has, pursuant to its letter dated June 13, 2014, approved his re-appointment for a period of three years from June 13, 2014. Kaizad Bharucha is entitled to an annual remuneration of ₹ 13,104,309, 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 ₹ 20,000 per meeting to non-executive Directors for attending the meetings of the Board and all committees thereof, except for the meetings of the Investor Grievance (Share) Committee for which sitting fees of ₹ 10,000 per meeting is paid to the directors.

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 2015 (to the extent applicable) and for the Fiscal Years 2014, 2013 and 2012:

Fiscal Year 2015 (to the extent applicable):

Name of the Directors	Commission (₹)	Sitting Fees (₹)	Total (₹)
Keki Mistry	-	340,000	340,000
Renu Karnad	-	330,000	330,000
Pandit Palande	-	480,000	480,000
Partho Datta	-	560,000	560,000
Bobby Parikh	-	480,000	480,000
Anami N. Roy	-	160,000	160,000
Shyamala Gopinath(1)	-	-	-

(1) Shyamala Gopinath was appointed with effect from January 2, 2015.

Fiscal Year 2014:

Non-executive Director	Commission (₹)	Sitting Fees (₹)	Total (₹)
Keki Mistry	-	540,000	540,000
Renu Karnad	-	330,000	330,000
Pandit Palande	-	760,000	760,000
Partho Datta	-	620,000	620,000
Bobby Parikh	-	800,000	800,000
Anami N. Roy	-	360,000	360,000
Shyamala Gopinath	-	-	-

Fiscal Year 2013:

Name of the Directors	Commission (₹)	Sitting Fees (₹)	Total (₹)
Keki Mistry	-	640,000	640,000

Name of the Directors	Commission (₹)	Sitting Fees (₹)	Total (₹)
Renu Karnad	-	330,000	330,000
Pandit Palande	-	720,000	720,000
Partho Datta	-	620,000	620,000
Bobby Parikh	-	680,000	680,000
Anami N. Roy	-	340,000	340,000
Shyamala Gopinath	-	-	-

Fiscal Year 2012:

Name of the Directors	Commission (₹)	Sitting Fees (₹)	Total (₹)
Keki Mistry(1)	-	60,000	60,000
Renu Karnad	-	520,000	520,000
Pandit Palande	-	480,000	480,000
Partho Datta	-	500,000	500,000
Bobby Parikh	-	640,000	640,000
Anami N. Roy	-	330,000	330,000
Shyamala Gopinath	-	-	-

(1) Keki Mistry was appointed with effect from January 19, 2012.

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 2015 (to the extent applicable) and for the Fiscal Years 2014, 2013 and 2012:

Fiscal Year 2015 (to the extent applicable):

Name of the Director	Basic (₹)	Allowances and perquisites (₹)	Provident fund (₹)	Superannuation (₹)	Performance bonus (₹)	Stock options granted
Aditya Puri	20,529,000	7,330,334	2,463,480	3,079,350	20,984,203	520,000
Paresh Sukthankar	10,805,565	9,527,236	1,296,667.80	1,620,834.75	10,674,161	390,000
Kaizad Bharucha	4,488,998	8,195,505	538,679.76	673,349.70	6,500,000	260,000

Fiscal Year 2014:

Name of the Director	Basic (₹)	Allowances and perquisites (₹)	Provident fund (₹)	Superannuation (₹)	Performance bonus (₹)	Stock options granted
Aditya Puri	23,805,000.00	15,298,122.00	2,856,600.00	3,570,750.00	15,136,147.00	8,00,000
Paresh Sukthankar(1)	12,150,000.00	9,294,326.00	1,458,000.00	1,822,500.00	1,642,179.00	4,00,000
Kaizad Bharucha(2)	867,460.00	3,194,018.00	104,095.00	112,770.00	-	2,00,000

(1) The Board of Directors approved Paresh Sukthankar's re-appointment as a Deputy Managing Director through a resolution dated December 24, 2013 and the RBI approved his re-appointment with effect from June 13, 2014.
(2) The Board of Directors approved Kaizad Bharucha's appointment as an Executive Director through a resolution dated December 24, 2013 and the RBI approved his appointment with effect from June 13, 2014.

Fiscal Year 2013:

Name of	Basic	Allowances	Provident	Superannuation	Performance	Stock

the Director	(₹)	and perquisites (₹)	fund (₹)	(₹)	bonus (₹)	options granted
Aditya Puri	19,837,500.00	12,606,477.00	2,380,500.00	2,975,625.00	12,384,120.00	-
Paresh Sukthankar	11,046,000.00	12,054,339.00	1,325,520.00	1,656,900.00	7,389,804.00	-
Kaizad Bharucha(1)	-	-	-	-	-	-

(1) The Board of Directors approved Kaizad Bharucha's appointment as an Executive Director through a resolution dated December 24, 2013 and the RBI approved his appointment with effect from June 13, 2014.

Fiscal Year 2012:

Name of the Director	Basic (₹)	Allowances and perquisites (₹)	Provident fund (₹)	Superannuation (₹)	Performance bonus (₹)	Stock options granted
Aditya Puri	17,250,000.00	11,876,288.92	2,070,000.00	2,587,500.00	15,120,512.00	9,00,000
Paresh Sukthankar	8,978,502.00	7,773,900.00	1,077,420.00	1,346,775.00	6,283,274.00	4,50,000
Kaizad Bharucha(1)	-	-	-	-	-	-

(1) The Board of Directors approved Kaizad Bharucha's appointment as an Executive Director through a resolution dated December 24, 2013 and the RBI approved his appointment with effect from June 13, 2014.

Key Managerial Personnel

The following table sets forth details regarding our key managerial personnel as of the date of this Placement Document:

Sr. No.	Name	Age (years)	Designation
1.	Aditya Puri	64	Managing Director
2.	Paresh Sukthankar	52	Deputy Managing Director
3.	Kaizad Bharucha	49	Executive Director
4.	Sashidhar Jagdishan	49	Chief Financial Officer
5.	Sanjay Dongre	56	Executive 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 Placement Document:

Sr. No.	Name	Age (years)	Designation
1.	Abhay Aima	52	Head, Equities and Private Banking, Third Party Products and NRI Banking
2.	Anil Jaggia	53	Head, Information Technology, Legal and Secretarial, QIG, Administration, Infrastructure and Sustainable Livelihood Initiative
3.	Anil Nath	61	Head, Business Banking, Agri and Correspondent Banking
4.	Ashish Parthasarthy	46	Head, Treasury
5.	Bhavesh Zaveri	48	Head, Operations
6.	Chakrapani Venkatachari	50	Head, Internal Audit and Vigilance
7.	Deepak Maheshwari	59	Head, Wholesale Credit
8.	Jimmy Tata	48	Chief Risk Officer
9.	Navin Puri	56	Head, Branch Banking
10.	Rahul N. Bhagat	51	Head, Retail Liabilities and Marketing
11.	Rajender Sehgal	59	Head, Financial Institutions Group and Custody
12.	Rakesh Singh	45	Group Head,Investment Banking, Capital and Commodity

Sr. No.	Name	Age (years)	Designation
			Markets

Biographies of the key managerial personnel

1. **Aditya Puri –** For details, please see " - Biographies of the Directors" on page 169.

2. **Paresh Sukthankar** - For details, please see " - Biographies of the Directors" on page 169.

3. **Kaizad Bharucha** - For details, please see " - Biographies of the Directors" on page 171.

4. **Sashidhar Jagdishan** holds a Bachelor's degree in Physics from the University of Mumbai and a Master's degree in Economics of Money, Banking and Finance from the University of Sheffield, United Kingdom. He is also a Chartered Accountant of the ICAI. He has been with the Bank since 1996 and is the CFO of the Bank.

5. **Sanjay Dongre** is the Executive Vice President (Legal) and the Company Secretary of the Bank. He is an Associate Member of ICSI. He holds a Bachelor's degree in Commerce from Pune University and a Bachelor's Degree in Law from Pune University. He has 31 years of experience in areas of law, corporate secretarial, compliance, litigation and drafting. Prior to joining the Bank, he worked with Boehringer Mannheim (India) Limited, IPKA Laboratories Limited and Boots Pharmaceuticals Limited.

Biographies of Senior Management (other than Key Managerial Personnel)

1. **Abhay Aima** is a graduate of the National Defence Academy. He is the Head of Equities, Private Banking and Third Party Products of the Bank. He is also in charge of Non Resident Indian and International Consumer Banking. He serves as a Director of Raab Investment Private Limited, HDFC Securities Limited and Bluechip Corporate Investment Centre Limited.

2. **Anil Jaggia** an engineer from IIT, Kanpur and a graduate from IIM Ahmedabad has strong credentials and brings with him 28 years of rich experience across a wide spectrum of financial services. He started his career with Citibank at Kolkata, Mumbai, Singapore, New York and Chicago where he worked for over 18 years. He held the position of Head-Forex and Derivatives as his last assignment with Citibank in India. Before joining the Bank he was the Chief Operating Officer at Centurion Bank of Punjab Limited since 2004, for four years. As part of the Bank's management team, he also played an important role in the successful mergers of Bank of Punjab with Centurion Bank; Lord Krishna Bank with Centurion Bank of Punjab and Centurion Bank of Punjab with the Bank. Post merger with the Bank, he has taken over as Chief Information Officer of the Bank. He holds additional responsibility for Sustainable Livelihood Initiatives ("**SLI**"), Quality Initiative Group, Legal and Secretarial, Administration and Infrastructure.

3. **Anil Nath** holds a Master's degree in Business Administration degree from the University of Punjab and is a Certified Associate of the Indian Institute of Bankers. He has been with the Bank since 1995 and currently heads Business Banking, Agri and Correspondent Banking of the Bank. He has over 35 years of experience in banking, having worked with State Bank of India and Times Bank Limited prior to joining the Bank in 1995.

4. **Ashish Pathasarthy** 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 over 20 years of experience in the interest rate and currency markets and holds the position of Head, Treasury at the Bank.

5. **Bhavesh Zaveri** holds a Master's 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, and currently heads wholesale banking operations and cash management products of the Bank. He is a director on the board of the National Payment Corporation of India Limited ("**NPCI**"), The Clearing Corporation of India Limited, SWIFT Global Board and a member of the Technical Advisory Committee and Management Committee of NPCI.

6. **Chakrapani Venkatachari** is a member of the ICSI, New Delhi and is a Certified Associate of the Indian Institute of Bankers. He heads the Internal Audit and Vigilance function of the Bank and he has been with the Bank since 1994. Prior to joining the Bank, he worked with Standard Chartered Bank

where he was responsible for audit and review of all activities in the Western Region for Operations, Trade Services, Credit Cards, Forex and Credit.

7. **Deepak Maheshwari** holds a Bachelor's degree in Commerce from the University of Rajasthan and is a Certified Associate of the Indian Institute of Bankers. He heads the Wholesale Credit Risk function of the Bank and he has been with the Bank since 1996. Prior to joining the Bank, he worked in State Bank of India ("**SBI**") where he was responsible for control over the entire credit and investment portfolio of the Bank's Canadian subsidiary. He was associated with SBI for 21 years.

8. **Jimmy Tata** holds a Master's degree in Financial Management degree from the University of Mumbai and is a qualified Chartered Financial Analyst from the Institute of Chartered Financial Analysts of India, Hyderabad. He has over 20 years of work experience and has been with the Bank since 1994. He is currently the Chief Risk Officer of the Bank.

9. **Navin Puri** holds a Bachelor's degree in Commerce degree from Calcutta University and is a member of ICAI. He also received a Masters of Business Administration degree from Texas University, U.S.A. He has over 19 years of banking experience. He has been with the Bank since 1999. He currently heads the Retail Branch Banking business, and is also the Business Head for Retail Current Accounts of the Bank.

10. **Rahul N. Bhagat** holds a Bachelor's degree in History (Hons) from St. Stephen's College, Delhi University and a Masters degree in International Affairs from the College of William & Mary, Virginia, USA. He has over 19 years of experience in consumer banking, having worked with ANZ Grindlays Bank and Bank **o**f America prior to joining the Bank in 1999. He heads the Retail Liabilities, Marketing, High Net-Worth and Direct Channels businesses in the Bank.

11. **Rajender Sehgal** holds a Master's degree in Business Administration from Delhi University with specialization in Financial and Marketing Management. He has nearly 36 years of experience in industrial finance credit and international banking. He was employed with the SBI prior to joining the Bank. He has been with the Bank since 1998 and currently heads Financial Institutions Group and Custody of the Bank.

12. **Rakesh Singh** holds a Bachelor's degree in science from St. Xavier's College, Ranchi and Hansraj College, Delhi. He also holds a Post Graduate Diploma in Business Management from the Institute of Management Technology, Ghaziabad. He has over 21 years of experience in Debt and Equity Capital Markets, Structured Finance, Leveraged Finance, Debt Restructuring and managing Proprietary Investments. Prior to joining the Bank in 2011, he has worked with ANZ Investment Bank, Standard Chartered Bank, Morgan Stanley and Rothschild. He has led successful capital raisings for several Indian corporate houses and financial institutions and currently heads Investment Banking, Capital and Commodity Markets business in the Bank.

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 December 31, 2014:

Name	Number of Equity Shares	Percent of Total Number of Outstanding Equity Shares
Aditya Puri	2,731,544	0.11
Kaizad Bharucha	8,29,455	0.03
Paresh Sukthankar	660,655	0.03
Sashidhar Jagdishan	615,194	0.03
Sanjay Dongre	60,750	-

Shareholding of senior management

The following table sets forth the shareholding of our senior management as of December 31, 2014:

Name	Number of Equity Shares	Percent of Total Number of Outstanding Equity Shares
Jimmy Tata	701,900	0.02
Deepak Maheshwari	460,519	0.02
Chakrapani Venkatachari	334,315	0.01
Ashish Parthasarthy	331,876	0.01
Bhavesh Zaveri	299,940	0.01
Rahul N. Bhagat	169,880	0.01
Anil Nath	126,481	0.01
Navin Puri	87,927	-
Anil Jaggia	96,970	-
Abhay Aima	49,260	-
Rajender Sehgal	11,800	-
Rakesh Singh	Nil	Nil

Interest of key managerial personnel

Except as stated below, the key managerial personnel of the Bank do not have any interest in the Bank other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them and banking relations undertaken by them in the ordinary course of business and to the extent of the Equity Shares held by them or their dependants in the Bank, if any or any stock options held by them:

- The Bank has entered into a self lease arrangement with Sashidhar Jagdishan under which the Bank pays a rent of ₹ 196,250 per month and has paid a deposit of ₹ 4.25 million.

- The Bank has entered into a lease agreement with a firm in which Sanjay Dongre's wife is a partner. The Bank pays a rent of ₹ 62,000 per month and has paid a deposit of ₹ 0.24 million under this agreement.

Corporate governance

The Board of Directors presently consists of 10 Directors. In compliance with the requirements of the Listing Agreement, the Board of Directors consists of four independent Directors. The Bank is in compliance with the new corporate governance requirements under clause 49 of the Listing Agreement which have become effective from October 1, 2014. The Bank is currently in the process of complying with other corporate governance requirements under the Companies Act, 2013.

Policy on disclosures and internal procedure for prevention of insider trading

Regulation 12(1) of the SEBI Insider Trading Regulations, 1992 applies to the Bank and its employees and requires the Bank to implement a code of internal procedures and conduct for the prevention of insider trading. The Bank has implemented a code of conduct for prevention of insider trading in accordance with the SEBI Insider Trading Regulations, 1992.

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 (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Listing Agreement. These are: (i) Audit and Compliance Committee; (ii) Compensation Committee; (iii) Investor Greivance (Share) Committee; (iv) Risk Policy and Monitoring Committee; (v) Credit Approval Committee; (vi) Premises Committee; (vii) Nomination Committee; (viii) Fraud Monitoring Committee; (ix) Customer Service Committee; and (x) Corporate Social Responsibility Committee.

The following table sets forth the members of the aforesaid committees as of the date of this Placement Document:

Committee	Members
Audit and Compliance Committee	Dr. Pandit Palande, Partho Datta, Bobby Parikh and Shyamala Gopinath.

Committee	Members
Compensation Committee	Dr. Pandit Palande, Partho Datta and Bobby Parikh.
Investor Greivance (Share) Committee	A. N. Roy (Chairman), Renu Karnad, Aditya Puri and Paresh Sukthankar.
Risk Policy and Monitoring Committee	Renu Karnad (Chairperson), Partho Datta, Aditya Puri, Paresh Sukthankar and Shyamala Gopinath.
Credit Approval Committee	Bobby Parikh, Keki Mistry, Aditya Puri and Kaizad Bharucha.
Premises Committee	Renu Karnad, Dr. Pandit Palande, and Aditya Puri.
Nomination Committee	Dr. Pandit Palande and Partho Datta and Shyamala Gopinath.
Fraud Monitoring Committee	Shyamala Gopinath (Chairperson), Dr. Pandit Palande, Partho Datta, A. N. Roy, Keki Mistry and Aditya Puri.
Customer Service Committee	Shyamala Gopinath (Chairperson), Dr. Pandit Palande, A. N. Roy, Keki Mistry and Aditya Puri.
Corporate Social Responsibility Committee.	Renu Karnad, Partho Datta, Bobby Parikh, Aditya Puri and Paresh Sukthankar.

Other confirmations

None of the Directors, Promoter or key managerial personnel of the Bank have any financial or other material interest in the Issue.

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 228.

PRINCIPAL SHAREHOLDERS

The following table sets forth the shareholding pattern of the Bank as on December 31, 2014:

Sr. no.	Category of Shareholder	No. of Shareholders	Total no. of Equity Shares	Total no. of Equity Shares held in Dematerialised Form	Total Shareholding as a % of total no. of Equity Shares		Equity Shares pledged or otherwise encumbered	
					As a % of (A+B)	As a % of (A+B+C)	Number of Equity Shares	As a % of Total no. of Equity Shares
(A)	**Shareholding of promoter and promoter group**							
(1)	**Indian**							
	Bodies Corporate	3	543,216,100	543,216,100	27.02	22.47	0	0.00
	Sub Total	**3**	**543,216,100**	**543,216,100**	**27.02**	**22.47**	**0**	**0.00**
(2)	**Foreign**							
	-	-	-	-	-	-	-	-
	Total shareholding of Promoter and promoter group (A)	**3**	**543,216,100**	**543,216,100**	**27.02**	**22.47**	**0**	**0.00**
(B)	**Public Shareholding**							
(1)	**Institutions**							
	Mutual Funds / UTI	58	150,318,651	150,285,466	7.48	6.22	0	0.00
	Financial Institutions / Banks	51	2,504,082	2,486,692	0.12	0.10	0	0.00
	Central Government /State Government (s)	7	1,513,311	1,513,311	0.08	0.06	0	0.00
	Insurance Companies	7	87,241,980	87,241,980	4.34	3.61	0	0.00
	Foreign Institutional Investors	771	815,764,286	815,749,116	40.58	33.75	0	0.00
	Qualified Foreign Investor	1	689,000	689,000	0.03	0.03	0	0.00
	Sub Total	**895**	**1,058,031,310**	**1,057,965,565**	**52.63**	**43.77**	**0**	**0.00**
(2)	**Non-Institutions**							
	Bodies Corporate	3,025	198,618,925	198,394,020	9.88	8.22	0	0.00
	Individuals							
	Individual shareholders holding nominal share capital up to ₹ 0.1 million	413,417	155,422,429	136,557,766	7.73	6.43	0	0.00
	Individual shareholders holding nominal share capital in excess of ₹ 0.1 million	298	47,645,280	47,385,780	2.37	1.97	0	0.00
	Any Others (Specify)	**5,280**	**7,468,924**	**7,407,679**	**0.37**	**0.31**	**0**	**0.00**
	Non-	5,271	7,409,514	7,358,344	0.37	0.31	0	0.00

Sr. no.	Category of Shareholder	No. of Shareholders	Total no. of Equity Shares	Total no. of Equity Shares held in Dematerialised Form	Total Shareholding as a % of total no. of Equity Shares		Equity Shares pledged or otherwise encumbered	
					As a % of (A+B)	As a % of (A+B+C)	Number of Equity Shares	As a % of Total no. of Equity Shares
	Resident Indians							
	Overseas Corporate Bodies	4	10075	0	0.00	0.00	0	0.00
	Foreign Corporate Bodies	3	48,000	48,000	0.00	0.00	0	0.00
	Foreign Nationals	2	1,335	1,335	0.00	0.00	0	0.00
	Sub Total	**422,020**	**409,155,558**	**389,745,245**	**20.35**	**16.93**	**0**	**0.00**
	Total Public shareholding (B)	**422,915**	**1,467,186,868**	**1,447,710,810**	**72.98**	**60.69**	**0**	**0.00**
	Total (A)+(B)	**422,918**	**2,010,402,968**	**1,990,926,910**	**100.00**	**83.16**	**0**	**0.00**
(C)	**Shares held by Custodians and against which Depository Receipts have been issued**							
(1)	Promoter and promoter group	0	0	0	0.00	0.00	0	0.00
(2)	Public	1	40,700,4657	407,004,657	0.00	16.84	0	0.00
	Sub Total	**1**	**40,700,4657**	**407,004,657**	**0.00**	**16.84**	**0**	**0.00**
	Total (A)+(B)+(C)	**422,919**	**2,417,407,625**	**2,397,931,567**	**0.00**	**100.00**	**0**	**0.00**

The following table sets forth the shareholding of the promoter and promoter group as at December 31, 2014:

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	16.27
2	HDFC Investments Limited	150,000,000	6.20
3	HDFC Holdings Limited	5,000	-
	Total	**543,216,100**	**22.47**

The following table sets forth the shareholding of persons belonging to the category "Public" and holding more than 1.00% of the total number of Equity Shares as at December 31, 2014:

Sr. No.	Name of the Shareholder	No. of Equity Shares	Total Shareholding as a % of total No. of Equity Shares
1.	Life Insurance Corporation of India	834,06,551	3.45
2.	Europacific Growth Fund	93,649,732	3.87
3.	ICICI Prudential Life Insurance Company Limited	42,595,189	1.76
4.	Government of Singapore	30,179,462	1.25
5.	ICICI Prudential Focused Bluechip Equity Fund	26,798,175	1.11
	Total	**276,629,109**	**11.44**

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 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 193 and 202, respectively.

Qualified Institutions Placement

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 Issue is being made to Eligible QIBs in reliance upon Chapter VIII of the SEBI Regulations and Section 42 of the Companies Act, 2013, through the mechanism of a QIP. Under Chapter VIII of the SEBI Regulations and Section 42 of the Companies Act, 2013, a company may issue equity shares to Eligible QIBs provided that certain conditions are met by the company. Certain of these conditions are set out below:

- the shareholders of the issuer have passed a special resolution approving such QIP. Such special resolution must specify that the allotment of securities is proposed to be made pursuant to the QIP;

- equity shares of the same class of such issuer, which are proposed to be allotted through the QIP, are 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 Regulations) of the issuer as per the audited balance sheet of the previous financial year;

- the issuer shall be in compliance with the minimum public shareholding requirements set out in the SCRR;

- 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 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 under the SEBI 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. However, a discount of up to 5.00% of the floor price is permitted in accordance with the provisions of the SEBI 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 the Preliminary Placement Document and this Placement Document that shall contain all material information including the information specified in Schedule XVIII of the SEBI Regulations and the requirements prescribed under Form PAS-4. The Preliminary Placement Document and this Placement Document are 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 or less than ₹ 20,000 of face value of Equity Shares. Eligible QIBs that belong to the same group or that are under common control shall be deemed to be a single allottee. For details of what constitutes "same group" or "common control", see "—Application Process—Application Form" on page 186.

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 have applied for and received the in-principle approval of the Stock Exchanges under Clause 24(a) of the Listing Agreements for listing of the Equity Shares on the Stock Exchanges. We have filed a copy of the Preliminary Placement Document and this Placement Document with the Stock Exchanges.

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 Issue has been authorised and approved by the Board of Directors on May 19, 2014 and by the shareholders of the Bank on June 25, 2014.

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, 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 the Regulation S. 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 the PreliminaryPlacement 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.

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. Bidders shall submit Bids for, and the Bank shall issue and Allot to each Allottee, at least such number of Equity Shares in the Issue which would aggregate to ₹ 20,000 calculated at the face value of the Equity Shares.

4. Eligible QIBs may submit an Application Form, including any revisions thereof, during the Bidding Period to the Lead Managers.

5. 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 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; and
- it has agreed to certain other representations set forth in the Application Form.

6. 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.

   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.

7. Upon receipt of the Application Form, after the Bid/Issue Closing Date, the Bank shall determine the final terms, including the Issue Price of the Equity Shares to be issued pursuant to the Issue in consultation with the Lead Managers. 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. 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.**

8. 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.

9. 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.

10. 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.

11. 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.

12. The Bank will then apply for the final trading approvals from the Stock Exchanges.

13. 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.

14. Upon receipt of intimation of final trading and listing approval from the Stock Exchanges, the Bank shall inform the Allottees of the receipt of such approval. 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. Accordingly, Eligible QIBs for the purposes of this Issue shall comprise:

- public financial institutions as defined in Section 4A of the Companies Act, 1956 (Section 2(72) of the Companies Act, 2013);
- scheduled commercial banks;
- Mutual Fund;
- alternate investment funds as defined under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 and registered with SEBI ("AIFs"), which are not owned or controlled by Non-Resident investors;
- state industrial development corporations;
- insurance companies registered with Insurance Regulatory and Development Authority;
- provident funds with minimum corpus of ₹ 250.00 million;
- pension funds with minimum corpus of ₹ 250.00 million;
- the 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;
- insurance funds set up and managed by army, navy or air force of the Union of India; and
- insurance funds set up and managed by the Department of Posts, India.

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, FIIs, 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 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.

We and the Lead Managers are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this 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 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.

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 10.00% of the total voting rights of all the shareholders of the banking company. Provided that the RBI may, increase such ceiling on voting rights from 10.00% to 26.00%, in a phased manner.

Note: *Affiliates or associates of the Lead Managers who are Eligible QIBs may participate in the Issue in 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 the Preliminary Placement Document.

By making a Bid (including the revision thereof) for Equity Shares through Application Forms and pursuant to the terms of the 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, 193, and 202:

1. Each Eligible QIB confirms that it is a QIB in terms of Regulation 2(1)(zd) of the SEBI Regulations and is not excluded under Regulation 86 of the SEBI 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 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. 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. 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. Each Eligible QIB acknowledges that, as specified by RBI in its letter dated January 29, 2015 and as required in terms of the RBI circular dated April 20, 2010, the Bank shall apply for a post facto approval from the RBI in respect of this Issue, upon completion of the Allotment process. In the event that RBI does not grant the post facto approval in respect of Allotment to any Allottee(s), such Allottee shall be required to comply with the instructions that may be received from the RBI, in this regard.

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.

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	8th Floor, Mafatlal Center Nariman Point Mumbai 400 021 Maharashtra, India	Ruchit Agarwal	Ruchit.agarwal@baml.com	Tel: +9122 66328117 Fax: +9122 2282 5103
Credit Suisse Securities (India) Private Limited	Ceejay House, 9th Floor, Dr. Annie Besant Road, Worli Mumbai 400 018	Ashish Agarwal	ashish.agarwal@credit-suisse.com	Tel : +91 22 6777 3906 Fax : +91 22 6777 3820
JM Financial Institutional Securities Limited	7th Floor, Cnergy Appasaheb Marathe Marg Prabhadevi Mumbai 400 025	Kailash Soni	kailash.soni@jmfl.com	Tel: +91 22 6630 3266 Fax: +91 22 6630 3330
J. P. Morgan India Private Limited	J. P. Morgan Tower, Kalina, Off C. S. T. Road, Santacruz (East), Mumbai 400 098	Uma Shankar Kumar	project_hallmark@jpmorgan.com	Tel: +91 22 6157 3000 Fax: +91 22 6157 3911
Morgan Stanley India Company Private Limited	18F/19F, Tower 2, One Indiabulls Centre, 841, Senapati Bapat Marg; Mumbai 400013	Jayesh Jamsandekar/ Shagun Gupta	ipoindiaops@morganstanley.com	Tel: +91 22 6157 3000 Fax: +91 22 6157 3911
Barclays Bank PLC	801 / 808 Ceejay House, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai 400 018 Contact Person: Raahi Kapadia	Raahi Kapadia	hallmark@barclays.com	Tel: +91 22 6719 6000 Fax: +91 22 6719 6185
Goldman Sachs (India) Securities Private Limited	951-A Rational House, Appasaheb Marathe Marg Prabhadevi Mumbai 400 025 Maharashtra, India	Devendra Pandit	devendra.pandit@gs.com	Tel: +91 22 6616 9000 Fax: +91 22 6616 9090
Nomura Financial Advisory and Securities (India) Private Limited	Ceejay House, Level 11, Plot F Shivsagar Estate, Dr. Annie Besant Road, Worli Mumbai 400 018	Debasis Panigrahi	projecthallmark@nomura.com	Tel: +91 22 4037 4037 Fax: +91 22 4037 4111
UBS Securities India Private Limited	2 /F, 2 North Avenue, Maker Maxity Bandra-Kurla Complex, Bandra (East) Mumbai 400 051	Ankur Aggarwal	Ankur-a.aggarwal@ubs.com	Tel: +91 22 6155 6124 Fax: +91 22 6155 6300

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. 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) within the Bidding Period to the Lead Managers and cannot be withdrawn after the Bid/Issue Closing Date.

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 Regulations.

After finalisation of the Issue Price, the Bank shall update the 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 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 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 the "HDFC Bank Ltd.-Escrow A/c- QIP 2015" with the Escrow Agent 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.

If the payment is not made favouring the "HDFC Bank Ltd.-Escrow A/c- QIP 2015" 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 "HDFC Bank Ltd.-Escrow A/c- QIP 2015" 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.

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 2015" 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 "HDFC Bank Ltd.-Escrow A/c- QIP 2015" as stated above.

In accordance with the SEBI 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.

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.

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.

PLACEMENT

Placement Agreement

The Lead Managers have entered into a placement agreement with the Bank ("**Placement Agreement**"), pursuant to which the Lead Managers have agreed to procure subscriptions for the Equity Shares to be issued pursuant to the Issue on a reasonable best efforts basis.

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.

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 issue and allot (a) Equity Shares, ADRs or American Depository Shares in relation to the ADS Offering and / or (b) 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 the Preliminary Placement Document and the Placement Document, as the case may be.

Each of HDFC Limited, HDFC Investments Limited and HDFC Holdings Limited have agreed not to: (a) directly or indirectly, issue, offer, lend, sell, contract to sell or issue, sell any option or contract to sell, grant any option, or otherwise transfer or dispose of any Equity Shares held by them or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing, (b) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of the Equity Shares held by them or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention to enter into any such transaction, whether any such swap or transaction described in clause (a) or (b) hereof is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise, or (c) deposit Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or which carry the right to subscribe for or purchase Equity Shares in depositary receipt facilities or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or a deposit of Equity Shares in any depositary receipt facility, or publicly announce any intention to enter into any such transaction.

Further, in accordance with Regulation 88 of the SEBI Regulations, the Bank shall not make a subsequent QIP until expiry of six months from the date of this Issue.

SELLING RESTRICTIONS

The distribution of this 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 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 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 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 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 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 Placement Document is not a disclosure document under Chapter 6D or Part 7.9 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 Placement Document or commented on the merits of investing in the Equity Shares, nor has any other Australian regulator.

No offer of the Equity Shares is being made in Australia, and the distribution or receipt of this 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 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 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 or Chapter 7 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 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 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 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 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 Placement Document and obtain financial advice specific to their situation before making any decision to make an application for the Equity Shares.

Belgium

The Equity Shares may not be distributed in Belgium by way of an offer of securities to the public, as defined in Article 3 §1 of the Belgian Law of June 16, 2006 on public offerings of investment W-28 instruments and the admission of investment instruments to trading on regulated markets (the "**Prospectus Law**"), save in those circumstances set out in Article 3 §2 of the Prospectus Law.

This offering is exclusively conducted under applicable private placement exemptions and therefore it has not been and will not be notified to, and this Placement Document or any other offering material relating to the Equity Shares has not been and will not be approved by, the Belgian Banking, Finance and Insurance Commission ("**Commission bancaire, financière et des assurances/Commissie voor het Bank-, Financie- en Assurantiewezen**").

Accordingly, this offering may not be advertised and each of the Lead Managers has represented, warranted and agreed that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Equity Shares, and that it has not distributed, and will not distribute, any memorandum, information circular, brochure or any similar documents, directly or indirectly, to any individual or legal entity in Belgium other than:

i. qualified investors, as defined in Article 10 of the Prospectus Law;

ii. investors required to invest a minimum of €50,000 (per investor and per transaction); and

iii. in any other circumstances set out in Article 3 §2 of the Prospectus Law.

This Placement Document has been issued only for the personal use of the above qualified investors and exclusively for the purpose of this offering. Accordingly, the information contained herein may not be used for any other purpose nor disclosed to any other person in Belgium.

Denmark

The Equity Shares have not been offered or sold and will not be offered, sold or delivered directly or indirectly in Denmark by way of a public offering, unless in compliance with the Danish Securities Trading Act, Consolidation Act No. 843 of September 7, 2005, as amended from time to time, and any orders issued thereunder.

Dubai International Financial Centre

This 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 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 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 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 Placement Document, you should consult an authorized 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.

European Economic Area

This 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 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 authorized, 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 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 100 natural or legal persons or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 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 of notes 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 the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State; and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

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.

France

This Placement Document has not been prepared in the context of a public offering of financial securities in France within the meaning of Article L. 411-1 of the French Code *monétaire et financier* and Title I of Book II of the *Règlement Général of the Autorité des Marchés Financiers* (the "**AMF**") and, therefore, has not been approved by, registered or filed with the AMF and does not require a prospectus to be submitted for approval to the AMF. Consequently, each of the Lead Managers has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Equity Shares to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Placement Document or any other offering material relating to the Equity Shares and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (b) to qualified investors (*investisseurs qualifiés*) acting on their own account, as defined in, and in accordance with, Articles L.411-2, D.411-1, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Code monétaire et financier. No re-transfer, directly or indirectly, of the Equity Shares in France, other than in compliance with applicable laws and regulations and in particular those relating to a public offering (which are, in particular, embodied in articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 and seq. of the French Code *monétaire et financier*) shall be made.

Germany

This Placement Document has not been prepared in accordance with the requirements for a sales prospectus under the German Securities Prospectus Act (*Wertpapierprospektgesetz),* the German Sales Prospectus Act (*Verkaufsprospektgesetz*), or the German Investment Act (*Investmentgesetz*). Neither the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin*) nor any other German authority has been notified of the intention to distribute the Equity Shares in Germany. The Equity Shares may therefore not be distributed in the Federal Republic of Germany by way of public offering, public advertising or in a similar manner. The Equity Shares are being offered and sold in Germany only to (i) qualified investors in the meaning of Section 3, paragraph 2 no. 1, in connection with Section 2, no. 6, of the German Securities Prospectus Act, or (ii) a limited number of individualized, unqualified investors that are being preselected and specifically addressed. This Placement Document is strictly for use of the person who has received it. It may not be forwarded to other persons or published in Germany.

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.

Ireland

The Equity Shares may be publicly offered and sold in Ireland only in accordance with the European Communities (Transferable Securities and Stock Exchange) Regulations 1992, if applicable, the Investment Intermediaries Act 1995, as amended, the Companies Acts 1963 to 2003 and all other applicable Irish laws and regulations. This Placement Document does not constitute an offer to the public in Ireland by virtue of the fact that it shall only be made to persons in Ireland whose ordinary business is to buy or sell shares or debentures (whether as principal or agent) and, accordingly, has not been registered with the Registrar for Companies in Ireland. By accepting delivery of this Placement Document, the addressee in Ireland warrants that it is a person whose ordinary business, whether as principal or agent, is to buy and sell shares and debentures. This Placement Document does not and shall not be deemed to constitute an invitation to individuals (*i.e.,* natural persons) in Ireland to purchase Equity Shares. There will be no offering to the public in Ireland of the Equity Shares and this Placement Document does not constitute a prospectus within the meaning of the Irish Companies Acts 1963 to 2003.

Italy

The offering of the Equity Shares has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, each Lead Manager has represented and agreed that it has not offered, sold or distributed, and will not offer, sell or distribute any Equity Shares or any copy of this Placement Document or any other offer document in the Republic of Italy ("**Italy**") except:

i. to qualified investors (*investitori qualificati*), pursuant to Article 100 of Legislative Decree no. 58 of February 24, 1998 (the "Consolidated Financial Services Act" and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of May 14, 1999 (the "CONSOB Regulation"), all as amended; or

ii. in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under Article 100 of the Consolidated Financial Services Act and Article 34-ter of the CONSOB Regulation;

iii. moreover, and subject to the foregoing, any offer, sale or delivery of the Equity Shares or distribution of copies of this Placement Document or any other document relating to the Equity Shares in Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of September 1, 1993 (the "Banking Act"), CONSOB Regulation No. 16190 of October 29, 2007, all as amended;

(b) in compliance with Article 129 of the Banking Act and the implementing guidelines, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and

(c) in compliance with any securities, tax, exchange control and any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time, inter alia, by CONSOB or the Bank of Italy.

Any investor purchasing the Equity Shares in the Issue is solely responsible for ensuring that any offer or resale of the Equity Shares it purchased in the Issue occurs in compliance with applicable laws and regulations. This Placement Document and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third-party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its contents.

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 Joint Lead Bookrunning 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.

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 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.

Luxembourg

The Equity Shares offered in this Placement Document may not be offered, sold or delivered to the public within the Grand Duchy of Luxembourg. This document is only intended for institutional investors. It is personal to each offeree and does not constitute an offer to any other person or to the public generally in Luxembourg to subscribe for or otherwise acquire the Equity Shares. Distribution of this Placement Document to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorised and any disclosure of any of its contents, without prior written consent of the Bank, is prohibited.

Malaysia

No prospectus or other offering material or document in connection with the offer and sale of the Equity Shares has been or will be registered with the Securities Commission of Malaysia pursuant to the Securities Commission Act, 1993 as the offer for purchase of, or invitation to purchase the Equity Shares is meant to qualify as an “excluded offer or excluded invitation” within the meaning of Section 38 of the Securities Commission Act, 1993. Each Lead Manager has severally represented, warranted or agreed that the Equity Shares will not be offered, sold, transferred or otherwise disposed, directly or indirectly, nor any document or other material in connection therewith distributed, in Malaysia, other than to persons falling within any one of the categories or person specified in Schedule 2 and/or Schedule 3 of the Securities Commission Act, 1993 who are also persons to whom any offer or invitation to purchase or sell would be an excluded offer or invitation within the meaning of Section 38 of the Securities Commission Act, 1993.

Norway

This Placement Document has not been approved by or registered with any Norwegian securities regulators pursuant to the Norwegian Securities Trading Act 1997. Accordingly, neither this Placement Document nor any other offering material relating to the Equity Shares constitutes, or shall be deemed to constitute, an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act 1997 and is only made to qualified professional investors pursuant to the Norwegian Regulation of December 9, 2005 regarding exemption from the obligation to publish a prospectus or otherwise only in circumstances where an exemption from the obligation to publish a prospectus under the Norwegian Securities Trading Act 1997 is available.

Qatar

This 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 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 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.

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 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 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 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, and

- where no consideration is given for the transfer; or

- by operation of law.

Spain

The Placement Document has not been registered with the Spanish Securities Market National Commission (*Comision Nacional del Mercado de Valores*). The Equity Shares may not be listed, offered or sold in Spain except in accordance with the requirements of the Spanish Security Market Act (*Ley 24/1988, de 28 de julio, del Mercado de Valores)*, as amended, and as supplemented by Royal Decree 1310/2005 *(Real Decreto Ley 24/1988, de 28 de Julio, del Mercado de Valores, en materia de admission a negociación de valores en mercados secundarios oficilaes, de ofertas públicas or subscripción y del folleto exigible a tales efectos*), (the "Royal Decree 1310/2005"), and any other applicable provisions. The Equity Shares may not be listed, sold, offered or distributed to persons in Spain except in compliance with the above-mentioned provisions and, particularly, pursuant to Sections 26 to 38 to 41 of Royal Decree 1320/2005, as amended.

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 nor are they subject to Swiss law. This Placement Document does not constitute a prospectus within the meaning of Art. 1156 of the Swiss Federal Code of Obligations or Arts. 32 *et seq.* of the Listing Rules of the six Swiss Exchange, 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

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.

The Netherlands

The Equity Shares are not and may not be offered in the Netherlands other than to persons or entities who or which are qualified investors as defined in Section 1:1 Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (which incorporates the term "qualified investors" as used in the Prospectus Directive).

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. Prospective investors 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 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 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 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 Placement Document, you should consult an authorised financial adviser. This 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.

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. 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 the BSE or the 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 the Preliminary Placement Document and this 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 Book Running 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 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.

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. The BSE and the 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.

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, the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by the SEBI and the listing agreements of the respective stock exchanges. The SCRA empowers the governing body of each recognised stock exchange to suspend trading of or withdraw admission to dealings in a listed security for breach of or non compliance with any conditions or breach of company's obligations under such listing agreement 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 such equity listing agreements and bye-laws of the stock exchanges in India, to overrule a 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

Pursuant to an amendment of the SCRR in June 2010, all listed companies (except public sector undertakings) are required to maintain a minimum public shareholding of 25.00% and were given a time till June 3, 2013 to comply with such requirement. In this regard, SEBI has amended the listing agreement and has provided several mechanisms to comply with this requirement. 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 twelve months from the date of such fall in the manner specified by SEBI.

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 the BSE or the CNX NIFTY of the 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. It has evolved over the years into its present status as one of the premier stock exchanges of India.

NSE

The 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. The 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. The 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 the NSE.

Trading Hours

Trading on both the NSE and the 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). The BSE and the 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, the 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 are governed by the Takeover Regulations which provide specific regulations in relation to substantial acquisition of shares and takeover.

Insider Trading Regulations

The SEBI Insider Trading Regulations, 1992 have been notified to prohibit and penalise insider trading in India. An insider is, among other things, prohibited from dealing in the securities of a listed company when in possession of unpublished price sensitive information.

The SEBI Insider Trading Regulations, 1992 also provide disclosure obligations for shareholders holding more than a pre-defined percentage, and directors and officers, with respect to their shareholding in the company, and the changes therein. The definition of “insider” includes any person who has received or has had access to unpublished price sensitive information in relation to securities of a company or any person reasonably expected to have access to unpublished price sensitive information in relation to securities of a company and who is or was connected with the company or is deemed to have been connected with the company.

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.

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. Prospective investors 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 ₹ 5,500,000,000 consisting of 2,750,000,000 Equity Shares of ₹ 2 each.

Dividends

Under Indian 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 capitalized 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 and in certain contingencies out of the reserves of the company. 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, 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.

Pre-Emptive Rights and Issue of Additional Shares

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 days prior to the date set for the general meeting to the shareholders whose names are in the register at the record date. Shorter notice is permitted if consent is received from 95% of the members entitled to vote at such meeting. 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

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. 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. 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.

Pursuant to the Listing Agreements, in the event the Bank has not effected the transfer of shares within one month or where the Bank has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of one month, it is required to compensate the aggrieved party for the opportunity loss caused during the period of the delay. The Equity Shares shall be freely transferable, subject to applicable laws. Under the Listing Agreements, notice of such refusal must be sent to the transferee within one month of the date on which the transfer was lodged with the Bank.

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. 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. Investors should note that the Draft of the Direct Taxes Code which was issued for public comments in the year 2013, is presently pending consideration of the Legislature. If the same is passed in present form by both houses of Indian Parliament and approved by the President of India and then notified in the Gazette of India, there could be changes in the tax provisions mentioned below.

INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX CONSULTANT WITH RESPECT TO THE INDIAN TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN THEIR PARTICULAR SITUATION.

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO OUR SHAREHOLDERS UNDER THE INCOME TAX ACT, 1961, ("IT ACT") AND OTHER DIRECT TAX LAWS PRESENTLY IN FORCE IN INDIA

1. This statement sets out below the possible tax benefits available to our shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on such shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of our shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the commercial imperatives, the shareholders may or may not choose to fulfill;

2. This statement sets out below the provisions of law 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 Shares. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for a professional tax advice. In view of the individual nature of tax consequences and the changing tax laws, each investor is advised to consult his or her or their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.;

3. In respect of non-residents, the tax rates and the consequent taxation, mentioned in this section shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile; and

4. 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.

   The law stated below is as per the Income-tax Act, 1961 as amended by the Finance (No 2) Act, 2014 "**FA**".

I. Resident Shareholders

1. We are required to pay a dividend distribution tax ("**DDT**") at the rate of 15% (excluding applicable surcharge and education cess) on the total amount declared, distributed or paid as dividend. However, the FA has amended the section whereby tax on dividends to be distributed by domestic companies has to be computed on the grossed up amount of dividend by the rate of tax on such dividend, instead of the net amount paid.

   In calculating the amount of dividend on which DDT is payable, dividend shall be reduced by dividend received from its subsidiary, subject to fulfillment of certain conditions.

2. Under Section 10(34) of the IT Act, income by way of dividends (whether interim or final) referred to in Section 115-O of IT Act received on our shares is exempt from income tax in the hands of shareholders. Such dividend is to be excluded while computing Minimum Alternate Tax ("**MAT**") liability where such dividend is received by a Company. However it is pertinent to note that Section 14A of the IT Act restricts claims for deduction of expenses incurred in relation to exempt income. Thus, any expense incurred to earn the dividend income is not allowable expenditure.

   As per section 94(7) of the IT 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.

3. 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.

4. Capital assets may be categorized into short term capital assets or long term capital assets based on the period of holding. Capital assets being shares or any other security listed in a recognised Stock Exchange in India or unit of Unit Trust of India or unit of a Mutual Fund (Equity Oriented) specified under section 10(23D) 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 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**".

5. Section 48 of the IT Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of LTCG , from transfer of shares of an Indian company, the second proviso to Section 48 of the IT Act, permits substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by a cost inflation index, as prescribed from time to time.

6. Under Section 10(38) of the IT Act, LTCG 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, such gains as are includible in the book profits of a corporate assessee are not exempt from the levy of MAT u/s 115-JB of the IT Act.

7. Under Section 112 of the IT Act and other relevant provisions of the IT Act, LTCG, (other than those exempt under Section 10(38) of the IT Act) arising on transfer of our shares would be subject to tax at the rate of 20% (plus applicable surcharge and education cess) after indexation. The amount of such tax shall, however, be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder in case the shares are listed.

8. Under Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, LTCG (other than those exempt under Section 10(38) of the IT Act) arising on the transfer of our shares would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in a "long term specified assets". A "long term specified asset" means any bond, redeemable after three years and issued on or after 1st day of April 2007 by the:

   (a) National Highways Authority of India constituted under Section 3 of The National Highways Authority of India Act, 1988;

   (b) Rural Electrification Corporation Limited, ta company formed and registered under the Companies Act, 1956.

   The total deduction with respect to investment in the long term specified assets is restricted to ₹ 5 million whether invested during the financial year in which the asset is transferred or subsequent year.

   If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount of capital gains so exempted shall be chargeable to tax as LTCG during the year of such transfer or conversion takes place. For this purpose, if any loans or advance is taken as against such specified securities, than such person shall be deemed to have converted such specified securities into money. The cost of the long term specified assets, which has been considered under section 54EC for calculating capital gain, shall not be allowed as a deduction from the income under Section 80C of the IT Act for any assessment year beginning on or after 1 April 2006.

9. Further, as per the provisions of section 54F of the Act and subject to conditions specified therein, long-term capital gains (other than capital gains arising on sale of resident house and those covered under section 10(38) of the IT Act) arising to an individual or Hindu Undivided Family ('HUF') on transfer of our shares will be exempted from capital gains tax, if the net consideration from such shares are used for either purchase of one residential house property in India within a period of one year before or two years after the date on which the transfer took place, or for construction of one residential house property in India within a period of three years after the date of transfer.

10. As per Section 111A of the IT Act, STCG arising on transfer of our equity share would be taxable at a rate of 15% (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognised stock exchange in India and is liable to STT. STCG arising from transfer of our shares, other than those covered by Section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.

11. As per section 70 read with section 74 of the IT 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.

    However, the long term capital loss 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.

12. 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.

II. Non resident shareholders other than Foreign Institutional Investor ("FII"s) and Foreign Venture Capital Investors ("FVCI")

1. We are required to pay a DDT at the rate of 15% (excluding applicable surcharge and education cess) on the total amount declared, distributed or paid as dividend. However, the FA has amended the section whereby tax on dividends to be distributed by domestic companies has to be computed on the grossed up amount of dividend by the rate of tax on such dividend, instead of the net amount paid.

    In calculating the amount of dividend on which DDT is payable, dividend shall be reduced by dividend received from its subsidiary, subject to fulfillment of certain conditions.

2. Under Section 10(34) of the IT Act, income by way of dividends (whether interim or final) referred to in Section 115-O of the IT Act, received on our shares is exempt from income tax in the hands of shareholders. As per section 94(7) of the IT 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.

3. 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.

4. Under the first proviso to Section 48 of the IT Act, in case of a non resident shareholder, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations) (in cases not covered by Section 115E of the IT 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.

5. Under Section 10(38) of the IT Act, LTCG 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.

6. Under Section 112 of the IT Act and other relevant provisions of the IT Act, LTCG, (other than those exempt under Section 10(38) of the IT Act) arising on transfer of our shares would be subject to tax at a rate of 20% (plus applicable surcharge and education cess). If the tax payable on transfer of listed securities exceeds 10% of the LTCG, the excess tax shall be ignored for the purpose of computing tax payable by the assesse. However, it has been amended by the FA to allow concessional rate of tax of 10% only on capital gain on listed securities (other than unit) and zero coupon bond.

7. Under Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, LTCG (other than those exempt under Section 10(38) of the IT Act) arising on the transfer of our shares would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in a "long term specified assets". A "long term specified asset" means any bond, redeemable after three years and issued on or after 1st day of April 2007 by the:

   (i) National Highways Authority of India constituted under Section 3 of the National Highways Authority of India Act, 1988;

   (ii) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

   The total deduction with respect to investment in the long term specified assets is restricted to ₹ 5 million whether invested during the financial year in which the asset is transferred or subsequent year. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount of capital gains so exempted shall be chargeable to tax as LTCG during the year such transfer or conversion takes place. For this purpose, if any loans or advance is taken as against such specified securities, than such person shall be deemed to have converted such specified securities into money. The cost of the long term specified assets, which has been considered under section 54EC for calculating capital gain, shall not be allowed as a deduction from the income under Section 80C of the IT Act for any assessment year beginning on or after 1 April 2006.

8. Under Section 111A of the IT Act and other relevant provisions of the IT Act, STCG (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share would be taxable at a rate of 15% (plus applicable surcharge 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 our shares, other than those covered by Section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.

9. As per section 70 read with section 74 of the IT 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.

   However, the Long Term capital Loss 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 against subsequent years' LTCG.

10. Where our shares have been subscribed in convertible foreign exchange by Non Resident Indians

(“**NRI**”), i.e. an individual being a citizen of India or person of Indian origin who is not a resident, have the option of being governed by the provisions of Chapter XII-A of the IT Act, which inter alia entitles them to the following benefits:

(i) Under section 115E of the IT Act, where shares of the company are subscribed to in convertible foreign exchange by a NRI the LTCG arising to the NRI shall be taxable at the rate of 10% (plus applicable surcharge and education cess). The benefit of indexation of cost would not be available.

(ii) Under Section 115F of the IT Act, LTCG (in cases not covered under Section 10(38) of the IT Act) arising to an NRI from the transfer of our shares subscribed to in convertible foreign exchange shall be exempt from Income tax, if the net consideration is reinvested in specified assets or in any savings certificates referred to in Section 10(4B), within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

(iii) Under Section 115G of the IT Act, it shall not be necessary for an NRI to furnish his return of income under Section 139(1) of the IT Act if his income chargeable under the IT Act consists of only investment income or LTCG or both; arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from as per the provisions of Chapter XVII-B of the IT Act.

(iv) In accordance with the provisions of Section 115H of the Act, where an NRI become assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer along with his return of income for that year under Section 139 of the IT Act to the effect that the provisions of Chapter XII-A of the IT Act shall continue to apply to him in relation to such investment income derived from the specified assets (which do not include shares in an Indian company) for that year and subsequent assessment years until such assets are converted into money.

(v) As per provisions of Section 115-I of the IT Act, an NRI may elect not to be governed by provisions of Chapter XII-A and compute his total income as per other provisions of the IT Act.

11. In terms of Section 36(1)(xv) of the IT 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.

12. 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 IT Act, provisions of the IT Act would prevail over the provisions of the DTAA to the extent they are more beneficial to the non-resident/NRI.

13. As per section 90(4) of the IT Act, an assessee being a non-resident, shall not be entitled to claim relief under section 90(2) of the IT 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 IT Act, the non-resident shall be required to provide such other information, as has been notified.

14. With effect from 1 April 2015, the benefit of the DTAA will not be available to a non-resident investor if the Tax department declares any arrangement to be an impermissible avoidable arrangement.

III. Non-resident shareholders – FIIs

1. We are required to pay a DDT at the rate of 15% (excluding applicable surcharge and education cess) on the total amount declared, distributed or paid as dividend.

However, the FA has amended the section whereby tax on dividends to be distributed by domestic companies has to be computed on the grossed up amount of dividend by the rate of tax on such dividend, instead of the net amount paid.

In calculating the amount of dividend on which DDT is payable, dividend shall be reduced by dividend received from its subsidiary, subject to fulfillment of certain conditions.

2. Under Section 10(34) of the IT Act, income by way of dividends (whether interim or final) referred to in Section 115-O received on our shares is exempt from income tax in the hands of shareholders. However it is pertinent to note that Section 14A of the IT Act restricts claims for deduction of expenses incurred in relation to exempt income. Thus, any expense incurred to earn the dividend income is not allowable expenditure. 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.

3. Section 2(14) of the IT Act has been amended by the FA such that any security held by a FII 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 foreign portfolio investor ("**FPI**") would be treated in the nature of capital gains.

4. Under Section 10(38) of the IT Act, LTCG 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.

5. Under Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, LTCG (other than those exempt under Section 10(38) of the IT Act) arising on the transfer of our shares would be exempt from tax if such capital gain is invested within six months after the date of such transfer in a "long term specified assets". A "long term specified asset" means any bond, redeemable after three years and issued on or after 1st day of April 2007 by the:

   (i) National Highways Authority of India constituted under Section 3 of the National Highways Authority of India Act, 1988;

   (ii) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

   The total deduction with respect to investment in the long term specified assets is restricted to ₹ 5 million whether invested during the financial year in which the asset is transferred or subsequent year. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount of capital gains so exempted shall be chargeable to tax as LTCG during the year such transfer or conversion takes place. For this purpose, if any loans or advance is taken as against such specified securities, than such person shall be deemed to have converted such specified securities into money.

6. Under Section 115AD(1)(ii) of the IT Act, income by way of STCG arising to the FII on transfer of shares shall be chargeable at a rate of 30%, where such transactions are not subjected to STT, and at the rate of 15% if such transaction of sale is entered on a recognised stock exchange in India and is chargeable to STT. The above rates are to be increased by applicable surcharge and education cess.

   Under Section 115AD(1)(iii) of the IT Act income by way of LTCG arising from the transfer of shares (in cases not covered under Section 10(38) of the IT Act) held in the company will be taxable at the rate of 10% (plus applicable surcharge and education cess). The benefits of indexation of cost and of foreign currency fluctuations are not available to FIIs.

7. In respect of FIISs, 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 FII. As per section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the DTAA entered between India and the country of fiscal domicile of the FII, if any, to the extent they are more beneficial to the FIIs. Thus, FIIs can opt to be governed by the provisions of the Act or the applicable

tax treaty, whichever is more beneficial.

8. As per section 90(4) of the IT Act, the FIIs shall not be entitled to claim relief under section 90(2) of the IT 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 IT Act, the FIIs shall be required to provide such other information, as has been notified.

9. With effect from 1 April 2015, the benefit of the DTAA will not be available to a FII, if the Tax department declares any arrangement to be an impermissible avoidable arrangement.

10. As per Section 196D of the IT 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 FII.

IV. VENTURE CAPITAL COMPANIES/FUNDS

Under Section 10(23FB) of the IT 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 Venture Capital Funds Regulations or as defined in clause (aa) of sub-regulation (1) of regulation 2 of the Alternative Investment Funds Regulations.

As per Section 115U of the IT 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 IT 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 tax year in the same proportion in which such person would have been entitled to receive the income had it been paid in the tax year.

V. MUTUAL FUNDS

Under Section 10(23D) of the IT 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.

VI. PROVIDENT FUND AND PENSION FUND

Under section 10(25) of the IT Act, any income received by trustees on behalf of a recognised provident fund and a recognised superannuation fund is exempt from tax.

VII. 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 FII as they should be registered as FII should apply to these institutions.

VIII. BENEFITS AVAILABLE UNDER THE WEALTH TAX ACT, 1957

Asset as defined under section 2(ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, our shares held by the shareholders would not be liable to wealth tax.

IX. BENEFITS AVAILABLE UNDER THE GIFT TAX ACT, 1958

Gift tax is not leviable in respect of any gift made on or after 1 October 1998. Therefore any gift of share of a company will not attract gift tax.

X. INCOME TAX ON GIFTS

Under Section 56(2)(vii) of the IT Act and subject to exception provided in second proviso therein, where an individual or a HUF receives from any person any property, including, interalia, shares of a company without consideration or for a consideration lower than the fair market value, and the value of such benefit exceeds ₹50,000, such benefit is taxable in the hands of the recipient as deemed income includible in computing his taxable income. The section, however, provides for some exclusions like gifts between relatives, receipt under a will or inheritance, gift on occasion of marriage etc.

XI. TAX DEDUCTION AT SOURCE

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 IT Act.

However, as per the provisions of Section 195 of the IT 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 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 IT Act. The withholding tax rates are subject to the recipients of income obtaining and furnishing a permanent account number (PAN) to the payer, in the absence of which the applicable withholding tax rate would be the higher of the applicable rates or 20%, under section 206AA of the Act.

Notes:

1. The above benefits are as per the current tax law as amended by the Finance (No 2) Act, 2014 (the "**FA**").
2. As per the FA, surcharge is to be levied on individuals, HUF, AOP, body of individuals, artificial juridical person, co-operative society and local authorities at the rate of 10% if the total income exceeds ₹ 1 Crore.
3. As per the FA, surcharge is to be levied on domestic companies at the rate of 5% where the income exceeds Rs 1 crore but does not exceed ₹ 10 crores and at the rate of 10% where the income exceeds ₹ 10 crores.
4. As per the FA, surcharge is to be levied on every company other than domestic company at the rate of 2% where the income exceeds Rs 1 crore but does not exceed ₹ 10 crores and at the rate of 5% where the income exceeds ₹ 10 crores.
5. A 2% education cess and 1% secondary and higher education cess on the total income is payable by all categories of taxpayers.
6. The above statement of possible direct tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of Shares.
7. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the DTAA, if any, between India and the country in which the non-resident has fiscal domicile.
8. This statement is intended only to provide general information to the investors and is neither designed nor intended to be substituted for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

9. 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 changes from time to time. We do not assume responsibility to update the views consequent to such changes.

10. This statement of possible direct tax benefits enumerated above is as per the Act as amended by the FA.

The above statement of possible Direct-tax Benefits sets out the possible tax benefits available to the company and its shareholders under the current tax laws presently in force in India. Several of these benefits available are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following summary describes the material United States 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 United States 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 own ADSs or 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 other certain financial institutions;
- United States investors whose functional currency is not the United States dollar;
- certain former citizens or residents of the United States subject to Section 877 of the Code;
- 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 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 state, local and foreign tax consequences of an investment in or equity shares.

You should consult your own tax advisor regarding the United States federal, state, local and 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 United States 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 United States federal income tax purposes) created or organized in or under the laws of the United States, or any state thereof, including the District of Columbia;
- an estate, the income of which is subject to United States federal income tax regardless of its source; or
- a trust, if a court within the United States 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 equity shares that is neither a U.S. Holder nor a partnership or other entity or arrangement treated as a partnership for United States 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 ADSs or 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 United States 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 United States federal income tax purposes). 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 "Indian Taxation of the ADSs"—Taxation of Distributions". 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 United States 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.

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. Assuming we are not a PFIC in the taxable year in which we pay the dividends or in the preceding taxable year, 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 United States federal income tax purposes. Distributions in excess of our current and accumulated earnings and profits (as determined for United States federal income tax purposes) will be treated first as a non-taxable return of capital reducing such U.S. Holder's tax basis in the equity shares. Any distribution in excess of such tax basis will be treated as capital gain and will be either long-term or short-term capital gain depending upon whether the U.S. Holder held the equity shares for more than one year. However, we currently do not, and we do not intend to, calculate our earnings and profits under United States federal income tax principles. Therefore, a U.S. Holder should expect that a distribution generally will be reported as dividend income. Dividends paid by us generally will not be eligible for the dividends-received deduction available to certain United States corporate shareholders.

The amount of any cash distribution paid in Indian rupees will equal the United States 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 United States 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 United States dollars on the date received and it is expected that the depositary will in the ordinary course convert foreign currency received by it as distributions into United States dollars on the date of receipt. If the Indian rupees are not converted into United States dollars on the date of receipt, however, gain or loss may be recognized upon a subsequent sale or other disposition of the Indian rupees. Such foreign currency gain or loss, if any, will be United States source ordinary income or loss.

Sale or Exchange of Equity Shares

A U.S. Holder will generally recognize capital gain or loss upon the sale, exchange or other disposition of equity shares measured by the difference between the United States dollar value of the amount received and the U.S. Holder's tax basis (determined in United States dollars) in the ADSs or equity shares. Any gain or loss will be long-term capital gain or loss if the ADSs or equity shares in the sale, exchange or other taxable disposition have been held for more than one year and will generally be United States source gain or loss. Your ability to deduct capital losses is subject to limitations. Under certain circumstances described under "Indian Tax—Taxation of Capital Gains in Relation to ADSs", 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 United States 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 realized will be based upon the United States 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.

Pursuant to the Treasury Regulations applicable to foreign currency transactions, 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 a foreign currency gain or loss for United States federal income tax purposes because of differences between the United States 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 ordinary income or loss that is United States source, in addition to the gain or loss, if any, recognized 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 that holder's "net investment income", which includes, among other items, dividends on, and capital gains from the sale or other taxable disposition of, the equity shares, subject to certain limitations and exceptions. Prospective investors 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 United States federal income tax purposes. Although the determination of whether a corporation is a PFIC is made annually and thus may be subject to change, based on an active banking exception, we do not believe that we are, nor do we expect to become, a PFIC. However, the matter is not free from doubt. We urge you to consult your own tax advisor regarding the potential application of the PFIC rules.

Information with Respect to Foreign Financial Assets

Individuals (and, under proposed Treasury Regulations, 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 United States 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 ADSs or equity shares.

Taxation of Non-U.S. Holders

Distributions on Equity Shares

Non-U.S. Holders generally will not be subject to United States federal income or withholding tax on dividends received from us with respect to equity shares, unless such income is considered effectively connected with the Non-U.S. Holder's conduct of a United States trade or business for United States federal income tax purposes (and, if required by an applicable income tax treaty, the income is attributable to a permanent establishment maintained in the United States).

Sale or Exchange of Equity Shares

Non-U.S. Holders generally will not be subject to United States federal income tax on any gain realized 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 United States trade or business (and, if required by an applicable income tax treaty, the income is attributable to a permanent establishment 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 equity shares, 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 28.0% 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 United States 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, particularly on foreign financial institutions, (a) certain reporting and due diligence requirements on foreign financial institutions and, (b) potentially, require such foreign financial institutions to deduct a 30% withholding tax with respect to 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 non-U.S. financial institutions that do not comply with such reporting and due diligence requirements or certain other payees that do not provide required information. The United States has entered into a number of intergovernmental agreements with other jurisdictions with respect to FATCA ("IGAs") which may modify the operation of this withholding. The Bank as well as relevant intermediaries such as custodians and depository participants is classified as financial institutions for these purposes. Given that India has reached an "agreement in substance" with the United States on FATCA and is expected to sign a Model 1 intergovernmental agreement ("**IGA**") IGA with the United States for giving effect to FATCA, Indian financial institutions such as the Bank are also being mandated instructed to become fully FATCA compliant, based on the terms of its IGA and relevant rules.

Under current guidance it is not clear whether or to what extent payments on ADSs or 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 ADSs or 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 is involved in a number of legal proceedings in the ordinary course of its business, including certain proceedings that the Bank believes are spurious or vexatious proceedings with significant financial claims present on the face of the complaint, which to the Bank's belief 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 the Bank's financial condition or results of operations.

Inquiries, inspections or investigations under Companies Act against the Bank or its subsidiaries in the last three years

Nil

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

Nil

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

Nil

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 ₹ 10.00 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.	Misappropriation and criminal breach of trust committed by Biotor Industries Limited.	106.4	The Bank received a letter dated April 28, 2011 from the RBI informing that a fraud was perpetrated by Bioter Industries Limited in the 22 banks under consortium arrangement. The case was reported to the RBI on May 10, 2011. This lending was part of a consortium arrangement and the SBI, being the lead bank of the consortium and the Bank being the working capital and term lender, filed a case with the Central Bureau of Information, Banking Securities and Fraud Cell. A complaint was filed with the MRA Marg police station, Crawford Market, Mumbai and a joint suit was filed by the Bank in the Debt Recovery Tribunal-I ("**DRT-I**") for claim.
2.	Cheating and forgery committed by 22 borrowers who availed loans from the	12.0	The case was reported to RBI on June 14, 2011 and a First Information Report ("**FIR**") was lodged at the Rajkot police station. The Bank initiated steps for

Sr. No.	Details of the fraud	Amount Involved (In ₹ million)	Actions taken by the Bank
	Bank by pledging spurious gold with the connivance of the banks empanelled assayer.		recovery and, as a result ₹ 4.3 million has been recovered. The Bank has also filed a claim for insurance.
3.	Cheating and forgery committed by 99 borrowers who availed loan from the Bank by pledging spurious gold.	14.668	The case was reported to the RBI on September 10, 2011 and an FIR was lodged at the D.B. Marg police station, Mumbai at which time a charge sheet was also filed. The Bank lodged another complaint against the sub-assayer and borrowers for the remaining cases for ₹ 1.575 million. The Bank initiated steps for recovery and, as a result, ₹ 4.1 million has been recovered. The Bank has also filed an insurance claim in this regard.
4.	Cheating and forgery committed by Varun Datta and others by taking two vehicle loans, for purchase of imported vehicles, on the basis of suspected import documents, which were hypothecated in favour of the Bank but were not produced on demand by the Bank due to default in payment of loan.	28.7	The case was reported to the RBI on October 10, 2012. A complaint has been lodged with Assistant Commissioner of Police ("**ACP**"), Special Operations Squad, New Delhi and is under investigation with the Crime Branch Extortion Cell. A suit has been filed before the DRT in this regard. The Bank initiated steps for recovery and, as a result ₹ 21.1 million has been recovered.
5.	Misappropriation and criminal breach of trust committed by staff of the cash in transit agency, Writers Safeguard Private Limited, Jamshedpur.	11.139	The case was reported to the RBI by the Bank on November 29, 2012 and complaints were filed by the officials of Writers Safeguard Private Limited with 10 different police stations based on their respective jurisdictions. The Bank initiated steps for recovery and, as a result, all funds which were misappropriated have been recovered.
6.	Cheating and forgery committed by staff of an outsourced agency (ADFC), Pravinder Singh, who had copied and passed critical details of the cardholders to Dilip Kumar, an accomplice, who further utilized the data for making fraudulent transactions on international websites.	10.093	The case was reported to the RBI on January 28, 2013 and the Bank lodged a complaint with ACP, Rajouri Garden,Delhi. The Bank initiated steps for recovery and, as a result, all funds have been recovered through chargeback mode.
7.	Misappropriation and criminal breach of trust committed by Rakesh Joshi, a contractor.	14.0	The case was reported to the RBI on March 19, 2013 and a police complaint was filed with the Bhavnagar police station, Gujarat. The Bank initiated steps for recovery and, as a result ₹ 7.35 million has been recovered.
8.	Misappropriation and criminal breach of trust committed by staff of the cash in transit agency, Writer	14.656	The case was reported to the RBI on January 23, 2014 and a police complaint was filed with the Thalassery police station. The Bank initiated steps for recovery

Sr. No.	Details of the fraud	Amount Involved (In ₹ million)	Actions taken by the Bank
	Safeguard Private Limited.		and, as a result, all funds have been recovered.
9.	Cheating and forgery in the customer's account by liquidation of the fixed deposits.	28.517	The case was reported to the RBI on March 29, 2014 and a complaint was filed with the Jayanagar police station. The Bank has fully compensated the customer. The Bank sustained a loss of ₹ 18.062 millions for which insurance claim is being considered by the Bank. The Bank had initiated steps for recovery and, as a result, ₹ 10.455 million has been recovered.
10.	Cheating and forgery committed by a borrower Ranvijay Kumar Singh.	14.855	The case was reported to the RBI on April 29, 2014 and a police complaint was filed with the Gandhi Maidan police station, Patna, Bihar. The Bank has by filing a suit before the DRT initiated steps for recovery. A DRT order was passed in favour of the Bank on March 25, 2014 against Ranvijay Kumar Singh with regard to the loan taken for 25 vehicles. Out of 13 repossessed vehicles which were found to be hypothecated to the Bank, the Bank has sold off 10 vehicles, and, as a result, ₹ 0.137 million has been recovered.

STATUTORY AUDITORS

Deloitte Haskins and Sells, Chartered Accountants, are our current statutory auditors as required by the Companies Act and in accordance with the guidelines issued by the ICAI. Further, BSR & Co. LLP, Chartered Accountants, have audited the standalone financial statements as of and for the years ended March 31, 2014, 2013 and 2012 and the consolidated financial statements as of and for the years ended March 31, 2014, 2013 and 2012 whose audit reports are included in this Placement Document.

The standalone financial results of the Bank as of and for the six months ended September 30, 2014, included in this Placement Document have been audited by Deloitte Haskins and Sells, Chartered Accountants.

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 the BSE and on the NSE on November 8, 1995.

- The Issue was authorised and approved by the Board of Directors on May 19, 2014 and approved by the shareholders at an annual general meeting held on June 25, 2014.

- We have received in-principle approval to list the Equity Shares to be issued pursuant to the Issue, on the BSE and the NSE on February 4, 2015.

- 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 Office.

- We have obtained all consents, approvals and authorisations required in connection with this Issue including an in principle approval from the RBI dated January 29, 2015. As required by the RBI in its letter dated January 29, 2015 and circular dated April 20, 2010 the Bank shall apply for a post facto approval from the RBI in respect of the Issue, upon completion of the allotment process.

- There has been no material change in our financial or trading position since March 31, 2014, the date of the latest financial statements prepared in accordance with Indian GAAP included in this Placement Document, except as disclosed herein.

- The Bank's statutory auditors are Deloitte Haskins and Sells, Chartered Accountants. The standalone financial results of the Bank as of and for the six months ended September 30, 2014, included in this Placement Document have been audited by Deloitte Haskins and Sells, Chartered Accountants. The standalone financial statements as of and for the years ended March 31, 2014, 2013 and 2012 and the consolidated financial statements as of and for the years ended March 31, 2014, 2013 and 2012 included in this Placement Document, have been audited by BSR & Co. LLP, Chartered Accountants, who were the statutory auditors of the Bank until fiscal 2014.

- Except as disclosed in this 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 Bank confirms that it is in compliance with the minimum public shareholding requirements as specified in the SCRR.

- The Floor Price is ₹ 1,061.84 per Equity Share, calculated in accordance with the provisions of Chapter VIII of the SEBI Regulations, as certified by Deloitte Haskins and Sells, Chartered Accountants. The Bank may offer a discount of not more than 5.00% on the Floor Price in terms of Regulation 85 of the SEBI Regulations.

FINANCIAL STATEMENTS

S. No.	Financial Statements
1.	Audited standalone financial results for the six months ended September 30, 2014
2.	Audited standalone financial statements for the year ended March 31, 2014
3.	Audited standalone financial statements for the year ended March 31, 2013
4.	Audited standalone financial statement for the year ended March 31, 2012
5.	Audited consolidated financial statements for the year ended March 31, 2014
6.	Audited consolidated financial statements for the year ended March 31, 2013
7.	Audited consolidated financial statements for the year ended March 31, 2012

INDEPENDENT Auditors' Report
To The Board of Directors of
HDFC BANK Limited

Audit Report on the Financial Results for the six months ended September 30, 2014

1. We have audited the Financial Results for the six months ended September 30, 2014 reflected under column titled "Half year ended 30.09.2014 (Audited)" and the related Notes (together referred to as "Financial Results") contained in the accompanying "Financial Results for the Quarter and Half Year ended September 30, 2014" ("the Statement") of HDFC BANK LIMITED ("the Bank") being submitted by the Bank pursuant to the requirement of Clause 41 of the Listing Agreements with the Stock Exchanges, except for the disclosures referred to in paragraph 5 below.

2. The Financial Results have been prepared on the basis of the related interim financial statements, which is the responsibility of the Bank's Management and has been approved by the Board of Directors. Our responsibility is to express an opinion on the Financial Results, based on our audit of the related interim financial statements, which have been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard (AS-25) on Interim Financial Reporting specified under the Companies Act, 1956 (which are deemed to be applicable as per Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014) and other accounting principles generally accepted in India.

3. We conducted our audit of the Financial Results in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the Statement. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

4. In our opinion and to the best of our information and according to the explanations given to us, the Financial Results for the six months ended September 30, 2014:

   (i) is presented in accordance with the requirements of Clause 41 of the Listing Agreements with the Stock Exchanges to the extent applicable; and

   (ii) gives a true and fair view in conformity with the accounting principles generally accepted in India of the net profit and other financial information of the Bank for the six months ended September 30, 2014.

5. Further, we also report that we have traced the number of shares as well as the percentage of shareholding in respect of the aggregate amount of public shareholding and the number of shares as well as the percentage of shares pledged / encumbered and non-encumbered in respect of the aggregate amount of promoters and promoter group shareholding, in terms of Clause 35 of the Listing Agreements with the Stock Exchanges and the particulars relating to the investor complaints for six months ended September 30, 2014 of the Statement, from the details furnished by the Registrars. The "Pillar 3 disclosures under Basel III Capital Regulations" disclosed on the Bank's website and in respect of which a link has been provided in the Statement have also not been subjected to our audit.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm's Registration No. 117365W)

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

MUMBAI, October 21, 2014

HDFC BANK LIMITED

FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2014

(₹ in lacs)

Sr.	Particulars	Quarter ended 30.09.2014	Quarter ended 30.06.2014	Quarter ended 30.09.2013	Half year ended 30.09.2014	Half year ended 30.09.2013	Year ended 31.03.2014
		Unaudited	Unaudited	Unaudited	Audited*	Audited*	Audited*
1	Interest Earned (a)+(b)+(c)+(d)	1184763	1122008	1009334	2306771	1975630	4113554
	a) Interest / discount on advances / bills	907385	873507	769211	1780892	1501685	3168692
	b) Income on Investments	261380	233901	229173	495281	450955	903685
	c) Interest on balances with Reserve Bank of India and other inter bank funds	14763	12147	8415	26910	19442	35599
	d) Others	1235	2453	2535	3688	3548	5578
2	Other Income	204710	185057	184435	389767	376995	791964
3	**TOTAL INCOME (1)+(2)**	**1389473**	**1307065**	**1193769**	**2696538**	**2352625**	**4905518**
4	Interest Expended	633664	604847	561681	1238511	1086107	2265290
5	Operating Expenses (i)+(ii)	349790	317841	293421	667631	597240	1204219
	i) Employees cost	116694	112593	103569	229287	214477	417898
	ii) Other operating expenses	233096	205248	189852	438344	382763	786321
6	**TOTAL EXPENDITURE (4)+(5) (excluding Provisions & Contingencies)**	**983454**	**922688**	**855102**	**1906142**	**1683347**	**3469509**
7	**Operating Profit before Provisions and Contingencies (3)-(6)**	**406019**	**384377**	**338667**	**790396**	**669278**	**1436009**
8	Provisions (other than tax) and Contingencies	45589	48278	38593	93867	91305	158802
9	Exceptional Items	-	-	-	-	-	-
10	**Profit / (Loss) from Ordinary Activities before tax (7)-(8)-(9)**	**360430**	**336099**	**300074**	**696529**	**577973**	**1277207**
11	Tax Expense	122284	112795	101842	235079	195355	429367
12	**Net Profit / (Loss) from Ordinary Activities after tax (10)-(11)**	**238146**	**223304**	**198232**	**461450**	**382618**	**847840**
13	Extraordinary items (net of tax expense)	-	-	-	-	-	-
14	**Net Profit / (Loss) for the period (12)-(13)**	**238146**	**223304**	**198232**	**461450**	**382618**	**847840**
15	Paid up equity share capital (Face Value of ₹ 2/- each)	48286	48154	47825	48286	47825	47981
16	Reserves excluding revaluation reserves						4299884
17	**Analytical Ratios**						
	(i) Percentage of shares held by Government of India	Nil	Nil	Nil	Nil	Nil	Nil
	(ii) Capital Adequacy Ratio	15.7%	15.1%	14.6%	15.7%	14.6%	16.1%
	(iii) Earnings per share (₹)						

Sr.	Particulars	Quarter ended 30.09.2014	Quarter ended 30.06.2014	Quarter ended 30.09.2013	Half year ended 30.09.2014	Half year ended 30.09.2013	Year ended 31.03.2014
		Unaudited	**Unaudited**	**Unaudited**	**Audited***	**Audited***	**Audited***
	(a) Basic EPS before & after extraordinary items (net of tax expense) – not annualized	9.9	9.3	8.3	19.2	16.0	35.5
	(b) Diluted EPS before & after extraordinary items (net of tax expense) – not annualized	9.8	9.2	8.2	19.0	15.9	35.2
	(iv) NPA Ratios						
	(a) Gross NPAs	336165	335622	294171	336165	294171	298928
	(b) Net NPAs	91734	100742	76721	91734	76721	82003
	(c) % of Gross NPAs to Gross Advances	1.0%	1.1%	1.1%	1.0%	1.1%	1.0%
	(d) % of Net NPAs to Net Advances	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
	(v) Return on assets (average) - not annualized	0.5%	0.5%	0.5%	1.0%	1.0%	2.0%
18	**Non Promoters Shareholding**						
	(a) Public Shareholding						
	- No. of shares	1464101398	1457475498	1441044575	1464101398	1441044575	1448829678
	- Percentage of Shareholding	60.6%	60.5%	60.3%	60.6%	60.3%	60.4%
	(b) Shares underlying Depository Receipts (ADS and GDR)						
	- No. of shares	407004657	407004657	406987485	407004657	406987485	407004657
	- Percentage of Shareholding	16.9%	16.9%	17.0%	16.9%	17.0%	17.0%
19	**Promoters and Promoter Group Shareholding**						
	(a) Pledged / Encumbered						
	- No. of shares	-	-	-	-	-	-
	- Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	-	-	-	-	-	-
	- Percentage of Shares (as a % of the total share capital of the Company)	-	-	-	-	-	-
	(b) Non - encumbered						
	- No. of shares	543216100	543216100	543216100	543216100	543216100	543216100
	- Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	- Percentage of Shares (as a % of the total share capital of the Company)	22.5%	22.6%	22.7%	22.5%	22.7%	22.6%

* Except for disclosure regarding 'Non Promoters Shareholding' and 'Promoters and Promoter Group Shareholding' which are unaudited.

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 30.09.2014	Quarter ended 30.06.2014	Quarter ended 30.09.2013	Half year ended 30.09.2014	Half year ended 30.09.2013	Year ended 31.03.2014
		Unaudited	**Unaudited**	**Unaudited**	**Audited**	**Audited**	**Audited**
1	**Segment Revenue**						
a)	Treasury	310464	270361	304726	580825	610397	1178670
b)	Retail Banking	1191868	1144291	974274	2336159	1927357	4080486
c)	Wholesale Banking	564503	544617	488382	1109120	938564	1964534
d)	Other Banking Operations	145899	128016	125015	273915	225183	503355
e)	Unallocated	-	-	-	-	258	258
	Total	**2212734**	**2087285**	**1892397**	**4300019**	**3701759**	**7727303**
	Less: Inter Segment Revenue	823261	780220	698628	1603481	1349134	2821785
	Income from Operations	**1389473**	**1307065**	**1193769**	**2696538**	**2352625**	**4905518**
2	**Segment Results**						
a)	Treasury	8395	(5292)	(10322)	3103	20659	41230
b)	Retail Banking	145845	151637	137201	297482	259351	568541
c)	Wholesale Banking	188860	178978	168520	367838	289040	594011
d)	Other Banking Operations	54967	47498	41148	102465	83276	192046
e)	Unallocated	(37637)	(36722)	(36473)	(74359)	(74353)	(118621)
	Total Profit Before Tax	**360430**	**336099**	**300074**	**696529**	**577973**	**1277207**
3	**Capital Employed** (Segment Assets - Segment Liabilities)						
a)	Treasury	12113999	11460711	9551390	12113999	9551390	12241141
b)	Retail Banking	(15190170)	(14417239)	(10495893)	(15190170)	(10495893)	(12909019)
c)	Wholesale Banking	8179230	7708329	5445787	8179230	5445787	5305539
d)	Other Banking Operations	1307222	1235045	988798	1307222	988798	1259579
e)	Unallocated	(1538801)	(1382063)	(1441565)	(1538801)	(1441565)	(1549375)
	Total	**4871480**	**4604783**	**4048517**	**4871480**	**4048517**	**4347865**

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.

Notes :

1 Statement of Assets and Liabilities as on September 30, 2014 is given below.

(₹ in lacs)

Particulars	**As at 30.09.2014**	**As at 30.09.2013**
CAPITAL AND LIABILITIES	**Audited**	**Audited**
Capital	48286	47825
Reserves and Surplus	4823194	4000692
Deposits	39068175	31301114
Borrowings	3854042	3933986
Other Liabilities and Provisions	3202409	3833060
Total	**50996106**	**43116677**
ASSETS		
Cash and Balances with Reserve Bank of India	2037266	1994440
Balances with Banks and Money at Call and Short notice	1127848	808631
Investments	12955864	10185000
Advances	32727279	26861699
Fixed Assets	290510	294865
Other Assets	1857339	2972042
Total	**50996106**	**43116677**

2 The above results have been approved by the Board of Directors at its meeting held on October 21, 2014.

3 The results for the half year ended September 30, 2014 have been subjected to an "Audit" and the results for the quarter ended September 30, 2014 have been subjected to a "Limited Review" by the Statutory Auditors of the Bank. An unqualified report has been issued by them thereon.

4 The Bank has followed the same significant accounting policies in the preparation of the above financial results as those followed in the annual financial statements for the year ended March 31, 2014.

5 During the quarter ended June 30, 2014, the Bank acquired additional 8.7% stake in its subsidiary HDFC Securities Limited (HSL). Post this acquisition, the Bank's stake holding in HSL was 98.0% as of September 30, 2014.

6 In accordance with RBI circular DBOD.No.BP.BC.2/21.06.201/2013-14 dated July 1, 2013, 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. The disclosures have not been subjected to audit or limited review.

7 During the quarter and half year ended September 30, 2014, the Bank allotted 6625900 and 15271720 shares pursuant to the exercise of stock options by certain employees.

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 written off.

9 As at September 30, 2014, the total number of branches (including extension counters) and ATM network stood at 3600 branches and 11515 ATMs respectively.

10 Information on investor complaints pursuant to Clause 41 of the listing agreement for the quarter ended September 30, 2014:

Opening: Nil; Additions: 714; Disposals: 714; Closing position: Nil.

11 Figures of the previous periods have been regrouped / reclassified wherever necessary to conform to current period's classification.

12 ₹ 10 lac = ₹ 1 million

₹ 10 million = ₹ 1 crore

Place : Mumbai
Date : October 21, 2014

Aditya Puri
Managing Director

Independent Auditor's Report

To the Members of HDFC Bank Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of HDFC Bank Limited('the Bank'), which comprise the Balance Sheet as at 31 March 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956 and circulars and guidelines issued by Reserve Bank of India from time to time. This responsibility includes the design, implementation and maintenance of internal control 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

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of the Bank including its branches and central processing units in accordance with Standards on Auditing ('the Standards') issued by the Institute of Chartered Accountants of India. 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 of material misstatements.

4. An audit involves performing procedures to obtain audit evidence about the amounts and 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 control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India:

   (a) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31 March 2014;

   (b) in the case of the Statement of Profit and Loss, of the profit of the Bank for the year ended on that date; and

   (c) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. The Balance Sheet and the Statement of Profit and Loss have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211of the Companies Act, 1956.

8 We report that:

(a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

(b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

(c) during the course of our audit we have visited 36 branches. Since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally and at the central processing units, as all the necessary records and data required for the purposes of our audit are available therein.

9. In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by Reserve Bank of India.

10. We further report that:

(i) 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;

(ii) the financial accounting systems of the Bank are centralised and, therefore, returns are not necessary to be submitted by the branches;

(iii) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books; and

(iv) on the basis of written representations received from the Directors and taken on record by the Board of Directors, none of the Directors are disqualified as on 31 March 2014 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W

Akeel Master
Partner
Membership No: 046768

Mumbai
April 22, 2014

Balance Sheet as at March 31, 2014

₹ in 000

	Schedule	As at 31-Mar-14	As at 31-Mar-13
CAPITAL AND LIABILITIES			
Capital	1	4,798,101	4,758,838
Reserves and surplus	2	429,988,169	357,382,646
Deposits	3	3,673,374,777	2,962,469,846
Borrowings	4	394,389,918	330,065,972
Other liabilities and provisions	5	413,444,042	348,641,671
Total		**4,915,995,007**	**4,003,318,973**
ASSETS			
Cash and balances with Reserve Bank of India	6	253,456,277	146,273,990
Balances with banks and money at call and short notice	7	142,380,101	126,527,699
Investments	8	1,209,510,703	1,116,135,953
Advances	9	3,030,002,712	2,397,206,432
Fixed assets	10	29,399,180	27,030,813
Other assets	11	251,246,034	190,144,086
Total		**4,915,995,007**	**4,003,318,973**
Contingent liabilities	12	7,231,549,138	7,201,224,293
Bills for collection		209,430,623	261,039,630
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 **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.: 101248W

For and on behalf of the Board

C. M. Vasudev
Chairman

Aditya Puri
Managing Director

Paresh Sukhtankar
Deputy Managing Director

Kaizad Bharucha
Executive Director

Bobby Parikh
Partho Datta
Pandit Palande
Vijay Merchant
Keki Mistry
Renu Karnad
Directors

Akeel Master
Partner

Membership No.: 046768
Mumbai, April 22, 2014

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Sashidhar Jagdishan
Chief Financial Officer

Statement of Profit and Loss for the year ended March 31, 2014

₹ in 000

	Schedule	Year Ended 31-Mar-14	Year Ended 31-Mar-13
I. INCOME			
Interest earned	13	411,355,336	350,648,736
Other income	14	79,196,415	68,526,226
Total		**490,551,751**	**419,174,962**
II. EXPENDITURE			
Interest expended	15	226,528,999	192,537,521
Operating expenses	16	120,421,981	112,361,165
Provisions and contingencies		58,817,010	47,013,428
Total		**405,767,990**	**351,912,114**
III. PROFIT			
Net profit for the year		84,783,761	67,262,848
Balance in Profit and Loss account brought forward		111,321,846	83,996,470
Total		**196,105,607**	**151,259,318**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		21,195,941	16,815,712
Proposed dividend		16,433,495	13,090,810
Tax (including cess) on dividend		2,792,873	2,224,783
Dividend (including tax/cess thereon) pertaining to previous year paid during the year		48,462	44,748
Transfer to General Reserve		8,478,376	6,726,285
Transfer to Capital Reserve		582,710	858,498
Transfer to/(from) Investment Reserve Account		32,218	176,636
Balance carried over to Balance Sheet		146,541,532	111,321,846
Total		**196,105,607**	**151,259,318**
V. EARNINGS PER EQUITY SHARE (Face value ₹ 2 per share)		₹	₹
Basic		35.47	28.49
Diluted		35.21	28.18
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 **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.: 101248W

Akeel Master
Partner

For and on behalf of the Board

C. M. Vasudev
Chairman

Aditya Puri
Managing Director

Paresh Sukhtankar
Deputy Managing Director

Kaizad Bharucha
Executive Director

Sanjay Dongre
Executive Vice President

Sashidhar Jagdishan
Chief Financial

Bobby Parikh
Partho Datta
Pandit Palande
Vijay Merchant
Keki Mistry
Renu Karnad
Directors

(Legal) & Company Secretary Officer

Membership No.: 046768

Mumbai, April 22, 2014

Cash Flow Statement for the year ended March 31, 2014

₹ in 000

Particulars	**Year Ended 31-Mar-14**	**Year Ended 31-Mar-13**
Cash flows from operating activities		
Net profit before income tax	**127,720,506**	**97,506,268**
Adjustments for :		
Depreciation on fixed assets	6,716,076	6,516,663
(Profit) / loss on revaluation of investments	(65,078)	(348,627)
Amortisation of premia on held to maturity investments	806,470	582,183
(Profit) / loss on sale of fixed assets	(33,019)	10,566
Provision / charge for non performing assets	17,526,727	13,131,395
Provision / charge for diminuntion in value of Investment	(41,196)	522,145
Floating provisions	300,000	4,000,000
Provision for standard assets	2,212,886	1,237,140
Provision for wealth tax	7,500	6,000
Contingency provisions	(2,924,758)	(1,337,374)
	152,226,114	**121,826,359**
Adjustments for :		
(Increase) / decrease in investments	(86,209,196)	(142,070,919)
(Increase) / decrease in advances	(650,494,318)	(455,574,678)
Increase / (decrease) in deposits	710,904,931	495,405,387
(Increase) / decrease in other assets	(63,728,736)	33,698,441
Increase / (decrease) in other liabilities and provisions	61,447,568	(34,603,665)
	124,146,363	**18,680,925**
Direct taxes paid (net of refunds)	(40,510,341)	(37,368,738)
Net cash flow from operating activities	**83,636,022**	**(18,687,813)**
Cash flows used in investing activities		
Purchase of fixed assets	(8,174,144)	(8,631,976)
Proceeds from sale of fixed assets	127,266	43,136
Investment in subsidiaries and / or joint ventures	(7,865,750)	-
Net cash used in investing activities	**(15,912,628)**	**(8,588,840)**
Cash flows from financing activities		
Money received on exercise of stock options by employees	7,232,947	11,171,000
Increase / (decrease) in borrowings (excluding subordinate debt, perpetual debt and upper Tier II instruments)	63,760,946	36,789,886
Proceeds from issue of upper & lower Tier II capital Instruments	-	54,470,000
Dividend paid during the year	(13,134,876)	(10,130,544)
Tax on dividend	(2,229,179)	(1,641,937)
Net cash generated from financing activities	**55,629,838**	**90,658,405**
Effect of exchange fluctuation on translation reserve	**(318,543)**	**42,673**
Net increase / (decrease) in cash and cash equivalents	**123,034,689**	**63,424,426**
Cash and cash equivalents as at April 1st	**272,801,689**	**209,377,263**

Particulars	Year Ended 31-Mar-14	Year Ended 31-Mar-13
Cash and cash equivalents as at March 31st	**395,836,378**	**272,801,689**

As per our report of even date
For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.: 101248W

Akeel Master
Partner

Membership No.: 046768
Mumbai, April 22, 2014

For and on behalf of the Board

C. M. Vasudev
Chairman

Paresh Sukhtankar
Deputy Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

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Managing Director

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Chief Financial Officer

Bobby Parikh
Partho Datta
Pandit Palande
Vijay Merchant
Keki Mistry
Renu Karnad
Directors

Schedules to the financial statements as at March 31, 2014

SCHEDULE 1 – CAPITAL

₹ in 000

	As at 31-Mar-14	As at 31-Mar-13
Authorised Capital	5,500,000	5,500,000
2,75,00,00,000 (31 March, 2013 : 2,75,00,00,000) Equity Shares of ₹ 2/- each		
Issued, Subscribed and Paid-up Capital	4,798,101	4,758,838
2,39,90,50,435(31 March, 2013 : 2,37,94,19,030) Equity Shares of ₹ 2/- each		
Total	**4,798,101**	**4,758,838**

SCHEDULE 2 - RESERVES AND SURPLUS

₹ in 000

	As at 31-Mar-14	As at 31-Mar-13
I. Statutory reserve		
Opening balance	69,908,483	53,092,771
Additions during the year	21,195,941	16,815,712
Total	**91,104,424**	**69,908,483**
II. General reserve		
Opening balance	26,129,001	19,402,716
Additions during the year	8,478,376	6,726,285
Total	**34,607,377**	**26,129,001**
III. Balance in profit and loss account	**146,541,532**	**111,321,846**
IV. Share premium account		
Opening balance	135,148,961	124,261,852
Additions during the year	7,415,134	10,887,109
Total	**142,564,095**	**135,148,961**
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	3,813,175	2,954,677
Additions during the year	582,710	858,498
Total	**4,395,885**	**3,813,175**
VII. Investment reserve account		
Opening balance	176,636	-
Additions during the year	342,831	231,802
Deductions during the year	(310,612)	(55,166)
Total	**208,855**	**176,636**
VIII. Foreign currency translation account		
Opening balance	248,980	206,308
Additions / (deductions) during the year	(318,543)	42,672
Total	**(69,563)**	**248,980**
Total	**429,988,169**	**357,382,646**

SCHEDULE 3 – DEPOSITS

₹ in 000

	As at 31-Mar-14	As at 31-Mar-13
A. I Demand deposits		

	As at 31-Mar-14	As at 31-Mar-13
(i) From banks	12,169,991	10,385,135
(ii) From others	602,710,457	512,717,671
Total	**614,880,448**	**523,102,806**
II Savings bank deposits	**1,031,333,207**	**882,112,454**
III Term deposits		
(i) From banks	15,422,987	14,278,854
(ii) From others	2,011,738,135	1,542,975,732
Total	**2,027,161,122**	**1,557,254,586**
Total	**3,673,374,777**	**2,962,469,846**
B. I. Deposits of branches in India	3,612,313,174	2,946,407,245
II. Deposits of branches outside India	61,061,603	16,062,601
Total	**3,673,374,777**	**2,962,469,846**

SCHEDULE 4 – BORROWINGS.

₹ in 000

	As at 31-Mar-14	As at 31-Mar-13
I. Borrowings in India		
(i) Reserve Bank of India	-	2,750,000
(ii) Other banks	14,937,256	7,246,758
(iii) Other institutions and agencies	-	24,390,200
(iv) Upper and lower Tier II capital and innovative perpetual debts	160,439,000	160,439,000
Total	**175,376,256**	**194,825,958**
II. Borrowings outside India*	**219,013,662**	**135,240,014**
Total	**394,389,918**	**330,065,972**

**Includes Upper Tier II debt of ₹599.15 crore (previous year: ₹542.85 crore)*

Secured borrowings included in I & II above: Nil (previous year: Nil)

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

₹ in 000

	As at 31-Mar-14	As at 31-Mar-13
I. Bills payable	56,112,013	54,787,708
II. Interest accrued	25,918,488	62,714,315
III. Others *(including provisions)*	299,581,788	205,466,652
IV. Contingent provisions against standard assets	12,605,385	10,357,403
V. Proposed dividend *(including tax on dividend)*	19,226,368	15,315,593
Total	**413,444,042**	**348,641,671**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

₹ in 000

	As at 31-Mar-14	As at 31-Mar-13
I. Cash in hand *(including foreign currency notes)*	38,505,015	50,077,236
II. Balances with Reserve Bank of India :		
(a) In current accounts	212,951,262	94,196,754
(b) In other accounts	2,000,000	2,000,000
Total	**214,951,262**	**96,196,754**
Total	**253,456,277**	**146,273,990**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

₹ in 000

	As at 31-Mar-14	As at 31-Mar-13
I. **In India**		
(i) Balances with banks :		
(a) In current accounts	1,746,554	3,238,144
(b) In other deposit accounts	21,201,113	46,635,317
Total	**22,947,667**	**49,873,461**
(ii) Money at call and short notice :		
(a) With banks	1,000,000	17,850,000
(b) With other institutions	15,366,745	-
Total	**16,366,745**	**17,850,000**
Total	**39,314,412**	**67,723,461**
II. **Outside India**		
(i) In current accounts	40,154,939	5,876,363
(ii) In deposit accounts	2,995,750	8,142,750
(iii) Money at call and short notice	59,915,000	44,785,125
Total	**103,065,689**	**58,804,238**
Total	**142,380,101**	**126,527,699**

SCHEDULE 8 - INVESTMENTS

₹ in 000

	As at 31-Mar-14	As at 31-Mar-13
A. Investments in India in		
(i) Government securities	946,400,171	849,023,184
(ii) Other approved securities	-	-
(iii) Shares	1,347,904	1,244,692
(iv) Debentures and bonds	27,143,837	17,260,637
(v) Subsidiaries / joint ventures	15,413,909	7,548,159
(vi) Others (Units, CDs/CPs, PTCs, Security Receipts and NABARD Deposits)	209,989,161	236,028,115
Total	**1,200,294,982**	**1,111,104,787**
B. Investments outside India in		
Other investments		
(a) Shares	9,396	9,396
(b) Debentures and bonds	9,206,325	5,021,770
Total	**9,215,721**	**5,031,166**
Total	**1,209,510,703**	**1,116,135,953**
C. Investments		
(i) Gross value of investments		
(a) In India	1,202,029,358	1,113,472,422
(b) Outside India	9,215,721	5,031,166
Total	**1,211,245,079**	**1,118,503,588**
(ii) Provision for depreciation		
(a) In India	1,734,376	2,367,635
(b) Outside India	-	-
Total	**1,734,376**	**2,367,635**
(iii) Net value of investments		
(a) In India	1,200,294,982	1,111,104,787
(b) Outside India	9,215,721	5,031,166
Total	**1,209,510,703**	**1,116,135,953**

SCHEDULE 9 - ADVANCES.

₹ in 000

	As at 31-Mar-14	As at 31-Mar-13
A (i) Bills purchased and discounted	146,469,089	123,219,205

	As at 31-Mar-14	As at 31-Mar-13
(ii) Cash credits, overdrafts and loans repayable on demand	1,232,781,559	945,869,566
(iii) Term loans	1,650,752,064	1,328,117,661
Total	**3,030,002,712**	**2,397,206,432**
Loans with tenor of less than one year are classified under A (ii) above.		
B (i) Secured by tangible assets*	2,308,167,862	1,766,063,990
(ii) Covered by bank / government guarantees	41,688,328	61,551,311
(iii) Unsecured	680,146,522	569,591,131
Total	**3,030,002,712**	**2,397,206,432**
* *Including advances against book debts*		
C I. Advances in India		
(i) Priority sector	896,128,736	767,430,252
(ii) Public sector	124,180,757	84,217,368
(iii) Banks	1,177,248	917,007
(iv) Others	1,775,580,461	1,448,683,315
Total	**2,797,067,202**	**2,301,247,942**
CII. Advances outside India		
(i) Due from banks	7,469,539	18,469,102
(ii) Due from others		
(a) Bills purchased and discounted	177,402	409,362
(b) Syndicated loans	21,134,880	13,623,839
(c) Others	204,153,689	63,456,187
Total	**232,935,510**	**95,958,490**
Total	**3,030,002,712**	**2,397,206,432**
Advances are net of provisions		

SCHEDULE 10 - FIXED ASSETS

₹ in 000

	As at 31-Mar-14	As at 31-Mar-13
A. **Premises** *(including land)*		
Gross block		
At cost on 31 March of the preceding year	11,642,619	10,519,897
Additions during the year	2,637,812	1,140,440
Deductions during the year	(110,771)	(17,718)
Total	**14,169,660**	**11,642,619**
Depreciation		
As at 31 March of the preceding year	2,916,893	2,488,876
Charge for the year	501,047	443,998
On deductions during the year	(80,762)	(15,981)
Total	**3,337,178**	**2,916,893**
Net block	**10,832,482**	**8,725,726**
B. **Other fixed assets** *(including furniture and fixtures)*		
Gross block		
At cost on 31 March of the preceding year	52,464,978	44,235,581
Additions during the year	6,544,363	8,990,318
Deductions during the year	(667,757)	(760,921)
Total	**58,341,584**	**52,464,978**
Depreciation		

	As at 31-Mar-14	As at 31-Mar-13
As at 31 March of the preceding year	34,159,891	28,794,662
Charge for the year	6,218,514	6,074,183
On deductions during the year	(603,519)	(708,954)
Total	**39,774,886**	**34,159,891**
Net block	**18,566,698**	**18,305,087**
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	**29,399,180**	**27,030,813**

SCHEDULE 11 - OTHER ASSETS

₹ in 000

	As at 31-Mar-14	As at 31-Mar-13
I. Interest accrued	45,949,256	39,209,326
II. Advance tax/tax deducted at source (net of provisions)	12,687,606	15,789,085
III. Stationery and stamps	202,985	165,999
IV. Non banking assets acquired in satisfaction of claims	-	-
V. Bond and share application money pending allotment	9,029	29,333
VI. Security deposit for commercial and residential property	3,728,696	4,062,868
VII. Others*	188,668,462	130,887,475
Total	**251,246,034**	**190,144,086**
**Includes deferred tax asset (net) of ₹ 1,859.51 crore (previous year: ₹ 1,904.85 crore)*		

SCHEDULE 12 - CONTINGENT LIABILITIES

₹ in 000

	As at 31-Mar-14	As at 31-Mar-13
I. Claims against the bank not acknowledged as debts - taxation	8,309,000	9,349,100
II. Claims against the bank not acknowledged as debts - others	825,707	3,975,400
III. Liability on account of outstanding forward exchange contracts	4,753,861,196	4,467,860,687
IV. Liability on account of outstanding derivative contracts	2,009,620,394	2,292,213,027
V. Guarantees given on behalf of constituents		
- in India	210,323,779	162,354,571
- outside India	35,915,763	3,993,576
VI. Acceptances, endorsements and other obligations	192,095,251	220,595,426
VII. Other items for which the Bank is contingently liable	20,598,048	40,882,506
Total	**7,231,549,138**	**7,201,224,293**

SCHEDULE 13 - INTEREST EARNED

₹ in 000

	Year ended 31-Mar-14	Year ended 31-Mar-13
I. Interest/discount on advances / bills	316,869,165	268,223,935
II. Income from investments	90,368,457	78,202,586
III. Interest on balance with RBI and other inter-bank funds	3,559,920	2,816,311
IV Others	557,794	1,405,904
Total	**411,355,336**	**350,648,736**

SCHEDULE 14 - OTHER INCOME

₹ in 000

	Year ended 31-Mar-14	Year ended 31-Mar-13
I. Commission, exchange and brokerage	57,349,490	51,669,046
II. Profit / (loss) on sale of investments (net)	1,039,436	1,264,352
III. Profit / (loss) on revaluation of investments (net)	65,078	348,627
IV. Profit / (loss) on sale of building and other assets (net)	33,019	(10,566)
V. Profit/(loss) on exchange/derivative transactions (net)	14,010,614	10,101,338
VI. Income earned by way of dividends from subsidiaries /		
companies and /or joint ventures abroad / in India	9,600	7,693
VII. Miscellaneous income	6,689,178	5,145,736
Total	**79,196,415**	**68,526,226**

SCHEDULE 15 - INTEREST EXPENDED

₹ in 000

	Year ended 31-Mar-14	Year ended 31-Mar-13
I. Interest on deposits	190,481,554	163,206,243
II. Interest on RBI / inter-bank borrowings	35,362,147	28,889,728
III. Other interest	685,298	441,550
Total	**226,528,999**	**192,537,521**

SCHEDULE 16 - OPERATING EXPENSES

₹ in 000

	Year ended 31-Mar-14	Year ended 31-Mar-13
I. Payments to and provisions for employees	41,789,795	39,653,843
II. Rent, taxes and lighting	9,233,001	8,406,573
III. Printing and stationery	2,731,744	3,108,216
IV. Advertisement and publicity	1,435,610	1,841,294
V. Depreciation on bank's property	6,716,076	6,516,663
VI. Directors' fees, allowances and expenses	8,226	7,111
VII. Auditors' fees and expenses	13,368	14,612
VIII. Law charges	793,102	509,569
IX. Postage, telegram, telephone etc.	4,172,410	4,023,604
X. Repairs and maintenance	7,882,522	7,665,309
XI. Insurance	3,414,706	2,877,862
XII. Other expenditure*	42,231,421	37,736,509
Total	**120,421,981**	**112,361,165**

** Includes marketing expenses, professional fees, commission to sales agents, travel and hotel charges, entertainment, registrar and transfer agency fees and system management fees.*

Schedule 17 - Significant Accounting Policies appended to and forming part of the Financial Statements for the year ended March 31, 2014

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 commercial banking and treasury operations. The Bank is governed by the Banking Regulation Act, 1949. The Bank has overseas branch operations in Bahrain and Hong Kong.

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') notified under the Companies (Accounting Standard) Rules, 2006 to the extent applicable 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.

Recording purchase and sale transactions in securities is done following 'Settlement Date' 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 the above categories are classified under AFS category.

Acquisition cost

In determining acquisition cost of an investment:

- Brokerage, commission, etc. paid at the time of acquisition, are recognised in the Statement of Profit and Loss.

- Broken period interest on debt instruments is recognised in the Statement of Profit and Loss.
- Cost of investments is based on the weighted average cost method.

Disposal of investments

Profit / Loss on sale of investments under the aforesaid three categories is recognised in the Statement of Profit and Loss. 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, wherever linked to the YTM rates, 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.

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 is made thereon based on the RBI guidelines. The depreciation / provision is 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 is 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.

Recoveries from bad debts written-off are recognized 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 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 these regulatory requirements or provisions which are not made with respect to specific non-performing assets 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 and as per policy approved by the Board, floating provisions are not reversed by credit to Statement of Profit and Loss. Floating provisions are used only for contingencies under extraordinary circumstances wherein these are used for making specific provisions for impaired accounts. 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, 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. 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 at the end of every financial year. 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 rates of depreciation are not lower than the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation rates for certain key fixed assets are given below:

Asset	Depreciation Rate per annum
Owned Premises	1.63%
Very Small Aperture Terminals (‘VSATs’)	10.00%
Automated Teller Machines (‘ATMs’)	10.00%
Office equipment	16.21%
Computers	33.33%
Motor cars	25.00%
Software and System development expenditure	20.00%
Assets at residences of executives of the Bank	25.00%

- Improvements to lease hold premises are charged off over the remaining primary period of lease.
- Items (excluding staff assets) costing less than ₹ 5,000 and point of sale terminals are fully depreciated in the year of purchase.
- All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956.
- For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Bank.
- The Bank undertakes assessment of the useful life of an asset at periodic intervals taking into account changes in environment, changes in technology, the utility and efficacy of the asset in

use, etc. 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.

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.

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 contracts for longer maturities i.e. greater than one year are revalued using MIFOR (Mumbai Interbank Forward Offer Rate) and contracts with USD-INR currency pair are valued using USD LIBOR (London Interbank Offered Rate) rates. For other currency pairs, the forward points (as published by FEDAI) are extrapolated. The resulting profit or loss on valuation 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.

Currency futures contracts are marked to market daily using settlement price on a trading day, which is the closing price of the respective futures contracts on that day. While the daily settlement price is computed 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 futures contract or as may be specified by the relevant authority from time to time. All open positions are marked to market based on the settlement price and the resultant marked to market profit / loss is daily settled with the exchange.

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 is in the form of lump sum payment to vested 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. Vesting occurs upon completion of five years 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 (Revised 2005), 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 Managing Director, Executive 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 ₹ 6,500/- 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 (revised 2005), 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 Actuary Society of India and provision towards this liability is made.

The overseas branches of the Bank make contributions 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 have 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 the said reward points are made based on the actuarial valuation report as furnished by the said independent actuary.

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 quoted by 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 and the rules framed there under) 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. Segment Information

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

16. 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 realized.

17. 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.

Schedule 18-Notes forming part of the Financial Statements for the year ended March 31, 2014

Amounts in Notes forming part of the Financial Statements for the year ended March 31, 2014 are denominated in Rupees crore to conform to extant RBI guidelines.

1. Capital adequacy

The Bank's Capital to Risk-weighted Asset Ratio ('Capital Adequacy Ratio') as on March 31, 2014 is calculated in accordance with the RBI's guidelines on Basel III capital regulations ('Basel III') which were effective April 1, 2013. The minimum capital requirement under Basel III will be phased-in as follows:

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 as on March 31, 2014 computed under Basel III is given below:

Amounts in (₹) crore

Particulars	March 31, 2014
Tier I capital	40,654.52
Of which common equity tier I capital	40,654.52
Tier II capital	14,855.55
Total capital	55,510.07
Total Risk weighted assets	345,300.85

Particulars	March 31, 2014
Capital adequacy ratiosunder Basel lII	
Tier I	11.77%
Of which common equity tier I	11.77%
Tier II	4.30%
Total	**16.07%**

The Bank's capital adequacy ratio, calculated in accordance with the RBI guidelines under Basel II framework, as on March 31, 2013 is as follows:

Amounts in (₹)crore

Particulars	March 31, 2013
Tier I capital	33,881.13
Tier II capital	17,519.23
Total capital	51,400.36
Total Risk weighted assets	305,878.89
Capital adequacy ratios	
Tier I	11.08%
Tier II	5.72%
Total	16.80%

During the year ended March 31, 2014, the Bank allotted 19,631,405equity shares (previous year: 32,730,760 equity shares) aggregating to face value ₹ 3.93crore (previous year: ₹ 6.55 crore) in respect of stock options exercised.

Details of Basel III eligible additional tier I and tier II capital raised during the year are given below:

(₹) in crore

Particulars	March 31, 2014
Additional tier I capital raised during the year	-
Of which:	
Perpetual non-cumulative preference shares issued during the year	-
Perpetual debt instruments issued during the year	-
Tier II capital raised during the year	-
Of which:	
Debt capital instruments issued during the year	-
Preference share capital instruments issued during the year	-

Details of Basel II eligible innovative perpetual debt instruments and upper and lower tier II instruments issued during the year are given below. These instruments are eligible capital instruments under Basel III as per the prescribed transitional phase-out arrangements:

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Amount raised by issue of Innovative Perpetual Debt Instruments (IPDI) during the year	-	-
Amount raised by issue of upper Tier II instruments during the year	-	-
Amount raised by issue of lower Tier II instruments during the year	-	5,447.00

Subordinated debt (lower Tier II capital), upper Tier II capital and innovative perpetual debt instruments outstanding as at March 31, 2014 are ₹ 12,428.00 crore (previous year: ₹ 12,428.00 crore), ₹ 4,015.05 crore (previous year: ₹ 3,958.75 crore) and ₹ 200.00 crore (previous year: ₹ 200.00 crore) respectively.

The details of the bonds issued during the year ended March 31, 2013 are given below:

Particulars	Date of allotment	Coupon rate (%)	Tenure	Amount (₹ crore)
Lower Tier II bonds	August 13, 2012	9.45%	15 years[1]	3,477.00
Lower Tier II bonds	October 31, 2012	8.95%	10 years[2]	565.00
Lower Tier II bonds	December 28, 2012	9.10%	10 years[3]	1,405.00

[1]*Call option exercisable on August 13, 2022 at par with the prior approval of RBI.*

[2]*Call option exercisable on October 31, 2017 at par with the prior approval of RBI.*

[3]*Call option exercisable on December 28, 2017 at par with the prior approval of RBI.*

Based on the balance term to maturity and the applicable transitional phase-out arrangements under Basel III, as at March 31, 2014, 80% of the book value of perpetual debt instruments is considered as Additional Tier I capital and 74% of the book value of subordinated debt (lower Tier II capital) and upper Tier II capital is considered as Tier II capital for the purpose of capital adequacy computation.

Based on the balance term to maturity as at March 31, 2013, 100% of the book value of perpetual debt instruments is considered as Tier I capital and 93% of the book value of subordinated debt (lower Tier II capital) and upper Tier II capital is considered as Tier II capital for the purpose of capital adequacy computation.

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.

Reconciliation of accounting capital and regulatory capital, as on 31 March, 2014:

(₹) in crore

Particulars	Under Basel III	Under Basel II
	March 31, 2014	**March 31, 2013**
(a) Subscribed capital	479.81	475.88
(b) Reserves and surplus	42,998.82	35,738.26
(c) **Accounting capital (a+b)**	**43,478.63**	**36,214.14**
(d) Innovative perpetual debt	160.00	200.00
(e) Adjustments:		
- Deferred tax asset	(1,859.51)	(1,904.85)
- Securitisation exposures (risk weighted under Basel III whilst deducted @ 50% from Tier I under Basel II)	-	(176.74)
- Investment in subsidiaries (deducted @ 70% from Tier I under Basel III and 50% from Tier I under Basel II)	(1,057.14)	(361.81)
- Valuation adjustment for illiquid positions	(45.17)	(47.07)
- Others	(22.29)	(42.54)
Total adjustments	**(2984.11)**	**(2,533.01)**
(f) Total Tier I capital (c+d+e)	40,654.52	33,881.13
(g) Total Tier II capital	14,855.55	17,519.23
Total regulatory capital (f+g)	**55,510.07**	**51,400.36**

2. Earnings per equity share

Basic and diluted earnings per equity share have been calculated based on the net profit after taxation of ₹ 8,478.38 crore (previous year: ₹ 6,726.28 crore) and the weighted average number of equity shares outstanding during the year of 2,390,289,717 (previous year: 2,360,960,867).

Following is the reconciliation between basic and diluted earnings per equity share:

Particulars	For the years ended (₹)	
	March 31, 2014	**March 31, 2013**
Nominal value per share	2.00	2.00

Basic earnings per share	35.47	28.49
Effect of potential equity shares (per share)	(0.26)	(0.31)
Diluted earnings per share	35.21	28.18

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, 2014	**March 31, 2013**
Weighted average number of equity shares used in computing basic earnings per equity share	2,390,289,717	2,360,960,867
Effect of potential equity shares outstanding	17,849,608	26,076,830
Weighted average number of equity shares used in computing diluted earnings per equity share	2,408,139,325	2,387,037,697

3. Reserves and surplus

Draw down from reserves

There has been no draw down from reserves during the year ended March 31, 2014 (previous year: Nil).

Statutory reserve

The Bank has made an appropriation of ₹ 2,119.59 crore (previous year: ₹ 1,681.57 crore) out of profits for the year ended March 31, 2014 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, 2014, the Bank appropriated ₹ 58.27 crore (previous year: ₹ 85.85 crore), being the profit from sale of investments under HTM category, 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 ₹ 847.84 crore (previous year: ₹ 672.63 crore) out of profits for the year ended March 31, 2014 to General Reserve pursuant to Companies (Transfer of Profits to Reserves) Rules, 1975.

Investment reserve account

During the year ended March 31, 2014, the Bank has appropriated ₹ 3.22crore (net) (previous year: ₹ 17.66 crore (net)) from Profit and Loss Account to Investment Reserve Account.

4. 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, 2014, if approved at the ensuing Annual General Meeting.

5. Accounting for employee share based payments

The shareholders of the Bank approved grant of equity share options under Plan "B" in June 2003, 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.

Plans B, C, D, E and F provide for the issuance of options at the recommendation of the Compensation Committee at the closing price on the working day immediately preceding the date when options are granted. For Plan B the price is that quoted on an Indian stock exchange with the highest trading volume during the preceding two weeks, while for Plans C, D, E and F the price is 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 Compensation Committee. These options are exercisable on vesting, for a period as set forth by the Compensation Committee at the time of grant. The period in which options may be exercised cannot exceed five years. Modifications, if any, made to the terms and conditions of ESOPs as approved by the Compensation Committee are disclosed separately.

The erstwhile Centurion Bank of Punjab (‘eCBoP’) had granted stock options to its employees prior to its amalgamation with the Bank. The options were granted under the General ESOP Scheme framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time. The outstanding options granted by eCBoP and the grant price thereof were converted into equivalent HDFC Bank options and prices in the swap ratio of 1:29 i.e. 1 stock option of HDFC Bank for every 29 stock options granted and outstanding of eCBoP as on May 23, 2008, the effective date of the amalgamation, in accordance with Clause 9.9 of the scheme of amalgamation of eCBoP with the Bank. The vesting dates for the said stock options granted in various tranches were revised as per Clause 9.9 of the Scheme. The aforesaid stock options are exercisable within a period of 5 years from the date of vesting. Options granted under the General ESOP scheme were granted at the market price. The market price was the latest available closing price, prior to the date of meeting of the Board of Directors / Compensation Committee in which options were granted or shares were issued, on the stock exchange on which the shares of the Bank were listed. If the shares were listed on more than one stock exchange, then the stock exchange where there was highest trading volume on the said date was considered.

Method used for accounting for shared based payment plan

The Bank has elected to use intrinsic value method to account for the compensation cost of stock options to employees and whole time directors of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option.

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, 2014:

Particulars	**Options**	**Weighted average exercise price (₹)**
Options outstanding, beginning of year	65,443,045	417.32
Granted during the year	47,060,000	679.99
Exercised during the year	18,903,115	382.63
Forfeited / lapsed during the year	1,123,330	583.43
Options outstanding, end of year	92,476,600	556.06
Options exercisable	46,137,600	431.59

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2013:

Particulars	**Options**	**Weighted average exercise price (₹)**
Options outstanding, beginning of year	99,872,740	389.52

Particulars	Options	Weighted average exercise price (₹)
Granted during the year	-	-
Exercised during the year*	33,459,050	333.87
Forfeited / lapsed during the year	970,645	433.59
Options outstanding, end of year	65,443,045	417.32
Options exercisable	56,752,845	409.46

*includes 728,290 options exercised, pending allotment of equity shares as of March 31, 2013.

- Following table summarises the information about stock options outstanding as at March 31, 2014:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan B	-	-	-	-
Plan C	680.00	6,952,000	5.21	680.00
Plan D	225.29 to 680.00	13,643,900	2.94	490.62
Plan E	440.16 to 680.00	71,494,300	3.82	558.33
General ESOP	118.61 to 251.72	386,400	0.40	217.13

No options have been granted under Plan F during the year ended March 31, 2014

- Following table summarises the information about stock options outstanding as at March 31, 2013:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan B	198.97 to 219.74	614,500	0.53	203.50
Plan C	198.97 to 219.74	705,400	0.44	208.12
Plan D	219.74 to 340.96	12,058,100	1.39	285.60
Plan E	440.16 to 508.23	51,175,300	3.65	457.40
General ESOP	107.30 to 251.72	889,745	1.09	210.75

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 47,060,000 options were granted during the year ended March 31, 2014 (previous year: Nil). The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2014 were:

Particulars	March 31, 2014
Dividend yield	0.81% to 0.83%
Expected volatility	28.57% to 41.52%
Risk-free interest rate	8.21% to 9.08%
Expected life of the options	1 to 7 years

Impact of fair value method on 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 and earnings per share would have been as per the proforma amounts indicated below:

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Net profit (as reported)	8,478.38	6,726.28
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method (*proforma*)	561.32	431.62
Net profit (*proforma*)	7,917.06	6,294.66
	(₹)	**(₹)**
Basic earnings per share (as reported)	35.47	28.49
Basic earnings per share (*proforma*)	33.12	26.66
Diluted earnings per share (as reported)	35.21	28.18
Diluted earnings per share (*proforma*)	32.88	26.37

6. Other liabilities

- The Bank held contingent provisions towards standard assets amounting to ₹ 1,260.54 crore as on March 31, 2014 (previous year: ₹ 1,035.74 crore). These are included under Other Liabilities.

  In line 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 and @ 0.75% for advances to commercial real estate – residential housing sector. For all types of restructured standard advances (effective June 1, 2013) provision for standard assets is made @ 5% for a prescribed number of years from the date of restructuring or upgradation as the case may be and for the stock of restructured standard advances outstanding as on May 31, 2013 provision for standard assets is made @ 3.50% (which will be increased to 5% in a phased manner by March 31, 2016). 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 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, 2014 include unrealised loss on foreign exchange and derivative contracts of ₹ 12,609.15 crore (previous year: ₹ 7,036.66 crore).

- No share application monies were outstanding as on March 31, 2014. As of March 31, 2013 'Other liabilities' include share application monies of ₹ 22.15 crore, received on exercise of employee stock options pending allotment of equity shares, which were subsequently allotted on April 4, 2013.

7. Investments

- Value of investments

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Gross value of investments		
- In India	120,202.94	111,347.24
- Outside India	921.57	503.12
Provisions for depreciation on investments		
- In India	173.44	236.76
- Outside India	-	-
Net value of investments		
- In India	120,029.50	111,110.48
- Outside India	921.57	503.12

- Movement in provisions held towards depreciation on investments

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Opening balance	236.76	226.93
Add: Provision made during the year	62.75	103.96
Less: Write-off, write back of excess provision during the year	126.07	94.13
Closing balance	173.44	236.76

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, 2014 and March 31, 2013:

▫ Details of repo/reverse repo deals (in face value terms) done during the year ended March 31, 2014:

(₹) in crore

Particulars	Minimum Outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2014
Securities sold under repo				
1. Corporate debt securities	-	-	-	-
2. Government securities	-	10,744.77	669.79	-
Securities purchased under reverse repo				
1. Corporate debt securities	-	311.20	19.23	311.20
2. Government securities	-	5,584.48	125.38	-

▫ Details of repo/reverse repo deals (in face value terms) done during the year ended March 31, 2013:

(₹) in crore

Particulars	Minimum Outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2013
Securities sold under repo				
1. Corporate debt securities	-	-	-	-
2. Government securities	-	182.25	2.51	-
Securities purchased under reverse repo				
1. Corporate debt securities	-	110.80	20.47	-
2. Government securities	-	790.00	161.66	-

There were no outstanding repo deals with RBI under liquidity adjustment facility/marginal standing facility as of March 31, 2014 (previous year: ₹ 20,995.41 crore). Outstanding reverse repo deals with RBI under liquidity adjustment facility/marginal standing facility as of March 31, 2014 were ₹ 5,720.00 crore (previous year: ₹ 7,035.00 crore).

- **Non-SLR investment portfolio**

▫ Issuer-wise composition of non-SLR investments as at March 31, 2014

(₹) in 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	75.00	75.00	-	-	-
2.	Financial institutions	15,615.17	15,524.42	-	-	-
3.	Banks	564.99	1.00	-	-	-
4.	Private corporate	7,048.34	6,510.57	-	153.55	159.15
5.	Subsidiaries /Joint ventures	1,541.39	1,541.39	-	-	-
6.	Others	1,639.60	1,636.60	-	-	-
7.	Provision held towards depreciation	(173.44)				
	Total	**26,311.05**	**25,288.98**	**-**	**153.55**	**159.15**

#Amounts reported under these columns above are not mutually exclusive.

** Excludes investments in equity shares, units of equity oriented mutual funds and deposits with NABARD, SIDBI and NHB under the priority/weaker sector lending schemes in line with extant RBI guidelines.*

*** Excludes investments in equity shares, units of equity oriented mutual funds, pass through certificates, security receipts, commercial paper, certificate of deposits and deposits with NABARD, SIDBI and NHB under the priority/weaker sector lending schemes in line with extant RBI guidelines.*

- Issuer-wise composition of non-SLR investments as at March 31, 2013

(₹) in 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	151.63	100.00	-	-	-
2.	Financial institutions	14,930.57	14,580.80	-	-	-
3.	Banks	1,958.06	1,721.20	-	-	-
4.	Private corporate	5,676.24	5,153.87	-	194.52	212.80
5.	Subsidiaries /Joint ventures	754.82	754.82	-	-	-
6.	Others	3,472.24	775.16	-	-	-
7.	Provision held towards depreciation	(232.28)				
	Total	**26,711.28**	**23,085.85**	**-**	**194.52**	**212.80**

#Amounts reported under these columns above are not mutually exclusive.

** Excludes investments in equity shares, units of equity oriented mutual funds and deposits in NABARD, SIDBI and NHB under the priority/weaker sector lending schemes in line with extant RBI guidelines.*

*** Excludes investments in equity shares, units of equity oriented mutual funds, pass through certificates, security receipts, commercial paper, certificate of deposits and deposits with NABARD, SIDBI and NHB under the priority/weaker sector lending schemes in line with extant RBI guidelines.*

- Non-performing non-SLR investments

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Opening balance	161.96	112.39
Additions during the year	0.50	97.95
Reductions during the year	55.08	48.38
Closing balance	107.38	161.96
Total provisions held	99.96	156.78

- **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:

(₹) in crore

Particulars	As at March 31, 2014				As at March 31, 2013			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government securities	7,018.48	17,199.86	70,421.68	94,640.02	12,905.84	18,277.50	53,718.98	84,902.32
Other approved securities	-	-	-	-	-	-	-	-
Shares	2.53	133.20	-	*135.73*	-	125.41	-	125.41
Debentures and bonds	384.00	3,251.02	-	3,635.02	1,206.73	1,021.51	-	2,228.24
Subsidiary / Joint ventures	-	-	1,541.39	1,541.39	-	-	754.82	754.82
Others	62.36	5,817.36	15,119.19	20,998.91	1,175.29	8,156.72	14,270.80	23,602.81
Total	**7,467.37**	**26,401.44**	**87,082.26**	**120,951.07**	**15,287.86**	**27,581.14**	**68,744.60**	**111,613.60**

- Details of "other investments" as at the Balance Sheet date is given below:

(₹) in crore

Other Investments	March 31, 2014	March 31, 2013
Certificate of deposits	91.30	1,862.02
Commercial paper	4,177.62	4,095.66
Debt oriented mutual fund units	3.02	2,613.96
Pass through certificates	1,535.45	711.20
Security receipts issued by reconstruction companies	72.33	49.17
Deposits with NABARD	12,180.41	10,677.19
Deposits with SIDBI and National Housing Bank under the priority/ weaker sector lending schemes	2,938.78	3,593.61
Total other investments	**20,998.91**	**23,602.81**

- Investments include securities of Face Value (FV) aggregating ₹ 1,845.00 crore (previous year: FV ₹ 1,745.00 crore) which are kept as margin for clearing of securities, of FV ₹ 5,693.30 crore (previous year: FV ₹ 12,100.00 crore) which are kept as margin for Collateralised Borrowing and Lending Obligation (CBLO) and of FV aggregating ₹ 120.35 crore (previous year: FV ₹ 40.00 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 ₹ 16.00crore (previous year: FV ₹ 6.00 crore) which are kept as margin with National Securities Clearing Corporation of India Ltd. ('NSCCIL'), of FV aggregating ₹ 13.00 crore (previous year: FV ₹ 5.00 crore) which are kept as margin with MCX - SX Clearing Corporation Ltd., of FV aggregating ₹ 0.30 crore (previous year: FV ₹ 0.30 crore) which are kept as margin with United Stock Exchange for transacting in the currency derivative segment and of FV aggregating ₹ 2.00 crore (previous year: Nil) which are kept as margin with Indian Clearing Corporation Limited in the BSE currency derivatives segment.

- Investments having FV aggregating ₹ 35,013.64 crore (previous year: FV ₹ 29,376.69 crore) are kept as margin towards Real Time Gross Settlement (RTGS) and those having FV aggregating ₹ 26,139.39 crore (previous year: ₹ 38,188.32 crore) are kept as margin towards liquidity adjustment facility 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, 2014, there has been no sale from, and transfer to / from, HTM category in excess of 5% of the book value of investments held in HTM category at the beginning of the year. In accordance with the RBI guidelines, this 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; and

  - sales to the RBI under pre-announced open market operation auctions.

- In August 2013, the RBI, as a one-time measure, permitted banks to transfer SLR securities from the AFS/HFT category to the HTM category. Accordingly, during the year ended March 31, 2014, the Bank transferred SLR securities having face value aggregating ₹ 1,932.49 crore from the AFS category to the HTM category. In accordance with RBI guidelines, this transfer is excluded from the 5% cap prescribed for value of sales and transfer of securities to/from the HTM category.

8. Derivatives

- **Forward rate agreements (FRAs) / Interest rate swaps (IRS)**

Amounts in (₹) crore

S. No.	Particulars	March 31, 2014	March 31, 2013
i)	The total notional principal of swap agreements	176,666.72	207,507.18
ii)	Total losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	1,078.83	599.87
iii)	Concentration of credit risk arising from swaps*	83.76%	79.90%
iv)	Collateral required by the Bank upon entering into Swaps	-	-
v)	The fair value of the swap book	(141.96)	(183.28)

**Concentration of credit risk arising from swaps is with banks as on March 31, 2014 and March 31, 2013.*

The nature and terms of Rupee IRS as on March 31, 2014 are set out below:

Nature	Nos.	Notional principal (₹in crore)	Benchmark	Terms
Trading	19	618.00	INBMK	Fixed Receivable v/s Floating Payable
Trading	19	818.00	INBMK	Floating Receivable v/s Fixed Payable
Trading	4	1,250.00	INCMT	Floating Receivable v/s Fixed Payable
Trading	1	35.00	FIX TO FIX	Fixed Receivable v/s Fixed Payable
Trading	709	60,701.82	OIS	Fixed Receivable v/s Floating Payable
Trading	730	62,634.57	OIS	Floating Receivable v/s Fixed Payable
Trading	279	15,645.00	MIFOR	Fixed Receivable v/s Floating Payable
Trading	181	10,502.00	MIFOR	Floating Receivable v/s Fixed Payable
Trading	13	600.00	MIOIS	Floating Receivable v/s Fixed Payable
		152,804.39		

The nature and terms of foreign currency IRS as on March 31, 2014 are set out below:

Nature	Nos.	Notional principal (₹ in crore)	Benchmark	Terms
Trading	1	9.86	JPY Libor	Fixed Receivable v/s Floating Payable
Trading	1	9.86	JPY Libor	Floating Receivable v/s Fixed Payable
Trading	1	43.90	GBP Libor	Fixed Receivable v/s Floating Payable
Trading	1	43.90	GBP Libor	Floating Receivable v/s Fixed Payable
Trading	2	826.85	EURIBOR	Fixed Receivable v/s Floating Payable
Trading	2	826.85	EURIBOR	Floating Receivable v/s Fixed Payable
Trading	46	3,917.59	USD Libor	Fixed Receivable v/s Floating Payable
Trading	139	11,116.55	USD Libor	Floating Receivable v/s Fixed Payable
Hedging	3	2,995.75	USD Libor	Fixed Receivable v/s Floating Payable
Hedging	9	4,071.22	USD Libor	Floating Receivable v/s Fixed Payable
		23,862.33		

The nature and terms of Rupee IRS as on March 31, 2013 are set out below:

Nature	Nos.	Notional principal (₹in crore)	Benchmark	Terms
Trading	21	702.00	INBMK	Fixed receivable v/s Floating payable
Trading	20	877.00	INBMK	Floating receivable v/s Fixed payable
Trading	4	1,250.00	INCMT	Floating receivable v/s Fixed payable
Trading	1	50.00	FIX TO FIX	Fixed receivable v/s Fixed payable
Trading	1,093	89,761.10	OIS	Fixed receivable v/s Floating payable
Trading	1,063	80,409.40	OIS	Floating receivable v/s Fixed payable
Trading	255	13,454.00	MIFOR	Fixed receivable v/s Floating payable
Trading	164	8,063.00	MIFOR	Floating receivable v/s Fixed payable
Trading	16	400.00	MIOIS	Floating receivable v/s Fixed payable
		194,966.50		

The nature and terms of foreign currency IRS as on March 31, 2013 are set out below:

Nature	Nos.	Notional principal (₹ in crore)	Benchmark	Terms
Trading	1	14.29	JPY Libor	Fixed receivable v/s Floating payable
Trading	1	14.29	JPY Libor	Floating receivable v/s Fixed payable
Trading	40	1,806.76	USD Libor	Fixed receivable v/s Floating payable
Trading	124	7,991.09	USD Libor	Floating receivable v/s Fixed payable
Hedging	3	2,714.25	USD Libor	Fixed receivable v/s Floating payable
		12,540.68		

- **Exchange traded interest rate derivatives**

(₹) in crore

S. No.	Particulars	2014	2013
i)	The total notional principal amount of exchange traded interest rate derivatives undertaken during the year ended March 31, (instrument-wise): (a) 10 year Government Security Notional Bond	185.60	Nil
ii)	The total notional principal amount of exchange traded interest rate	Nil	Nil

S. No.	Particulars	2014	2013
	derivatives outstanding as of March 31,		
iii)	The notional principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective', as of March 31,	N.A.	N.A.
iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not 'highly effective', as of March 31,	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.

Most of 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.

- **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**

(₹) in crore

S. No.	Particulars	Currency derivatives		Interest rate derivatives	
		March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
1	Derivatives (notional principal amount)				
	a)Hedging	872.55	905.51	7,066.97	2,714.25
	b) Trading	22,823.62	20,265.76	170,198.90	205,335.78
2	Marked to Market Positions				
	a) Asset (+)	630.57	322.87	1,085.18	591.13
	b) Liability (-)	(484.52)	(256.21)	(1,190.63)	(788.17)
3	Credit Exposure	1,474.83	1,126.74	2,368.73	2,110.09
4	Likely Impact of one percentage change in interest rate (100*PV01)				
	a) On hedging derivatives	5.93	5.85	3.31	121.07
	b) On trading derivatives	10.10	11.32	130.65	118.57
5	Maximum of 100*PV01 observed during the year				
	a) On Hedging	6.98	5.96	142.60	135.11
	b) On Trading	11.37	16.89	163.81	159.58
6	Minimum of 100*PV01 observed during the year				
	a) On Hedging	5.93	0.09	3.31	-
	b) On Trading	4.31	6.44	97.02	91.16

- The notional principal amount of foreign exchange contracts classified as Hedging and Trading outstanding as on March 31, 2014 amounted to ₹ 26,147.11crore (previous year: ₹ 787.13 crore) and ₹ 449,239.01 crore (previous year: ₹ 445,998.94 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.

9. Asset quality

- **Movements in NPAs (funded)**

Amounts in (₹) crore

Particulars	March 31, 2014	March 31, 2013
(i)Net NPAs to Net Advances	0.27%	0.20%
(ii)Movement of NPAs (Gross)		
(a) Opening balance	2,334.64	1,999.39
(b) Additions (fresh NPAs) during the year	4,621.79	3,137.81
(c) Reductions during the year:	3,967.15	2,802.56
- Upgradation	1,443.32	932.27
- Recoveries (excluding recoveries made from upgraded accounts)	1,042.12	718.34
- Write-offs	1,481.71	1,151.95
(d) Closing balance	2,989.28	2,334.64
(iii)Movement of Net NPAs		
(a) Opening balance	468.95	352.33
(b) Additions during the year	1,658.65	940.67
(c) Reductions during the year	1,307.57	824.05
(d) Closing balance	820.03	468.95
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	1,865.69	1,647.06
(b) Additions during the year	2,963.14	2,197.14
(c) Write-off	1,481.71	1,151.95
(d) Write-back of excess provisions	1,177.87	826.56
(e) Closing balance	2,169.25	1,865.69

NPAs include all assets that are classified as non-performing by the Bank.

The Bank had hitherto computed additions and reductions by comparing NPAs outstanding at the beginning and at the end of the reporting period. Based on a clarification from RBI that additions and reductions should include slippages and the related upgradation/recoveries even if these are within the same reporting period, the Bank has accordingly reflected these additions/reductions and the related provisions in the above table. Further, slippages and the related upgradation/recoveries that may occur on more than one occasion for the same customer in the reporting period are aggregated and accordingly counted more than once under additions and reductions respectively, in the above table. As a result, the additions to NPAs and reductions in NPAs on account of upgradation/recoveries increased by the same amount and the amounts of opening NPAs, closing NPAs, write offs and the related provisions remained unchanged. Previous year's figures have accordingly been re-classified.

- **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. Movement in the stock of technically or prudentially written-off accounts given below:

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
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	-	-

- **Sector-wise NPAs**

Particulars	Percentage of NPAs to Total Advances in that sector (%)	
	March 31, 2014	March 31, 2013
Agriculture and allied activities	1.18	0.90
Industry (Micro & small, Medium and Large)	0.99	1.04
Services	0.75	0.60
Personal Loans	0.80	0.62

- **Floating provisions**

Floating provisions of ₹ 1,835.03crore (previous year: ₹ 1,835.03 crore) have been included under "Other Liabilities". Movement in floating provision is given below:

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Opening Balance	1,835.03	1,435.03
Provisions made during the year	30.00	400.00
Draw down made during the year	(30.00)	-
Closing Balance	1,835.03	1,835.03

Floating provisions have been utilized in accordance with the RBI guidelines dated February 7, 2014.

● **Disclosure on accounts subjected to restructuring for the year ended March 31, 2014:**

(₹) in crore, except numbers

S. No	Type of Restructuring		Under Corporate Debt Restructuring(CDR) Mechanism					Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
	Details																					
1	Restructured accounts as on April 1, 2013*	No. of borrowers	4	1	10	1	16	-	-	-	-	-	3	-	3	1	7	7	1	13	2	23
		Amount outstanding	73.48	47.62	356.97	13.92	491.99	-	-	-	-	-	7.63	-	25.70	2.80	36.13	81.11	47.62	382.67	16.72	528.12
		Provision thereon	1.00	1.00	15.31	0.96	18.27	-	-	-	-	-	0.13	-	0.23	0.06	0.42	1.13	1.00	15.54	1.02	18.69
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	3	1	-	-	4	3	1	-	-	4
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	8.39	16.70	-	-	25.09	8.39	16.70	-	-	25.09
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.02	-	-	-	0.02	0.02	-	-	-	0.02
3	Upgradations 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	-	-	-	-1	-1+1	+1	-	-
		Amount outstanding	-	-51.63	+51.63	-	-	-	-	-	-	-	-2.10	+2.10	-	-	-	-2.10	-49.53	+51.63	-	-
		Provision thereon	-	-4.00	+4.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-4.00	+4.00	-	-
6	Write-offs of restructured accounts during the year	No. of borrowers	-	-	1	-	1	-	-	-	-	-	-	-	1	-	1	-	-	2	-	2
		Amount outstanding	-	-	3.29	-	3.29	-	-	-	-	-	-	-	8.61	-	8.61	-	-	11.90	-	11.90
7	Restructured accounts as on March 31, 2014*	No. of borrowers	2	-	10	-	12	-	-	-	-	-	4	2	1	-	7	6	2	11	-	19
		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

**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.

Disclosure on accounts subjected to restructuring for the year ended March 31, 2013:

(₹) in crore, except numbers

S. No	Type of Restructuring		Under Corporate Debt Restructuring (CDR) Mechanism					Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
	Details																					
1	Restructured accounts as on April 1, 2012*	No. of borrowers#	5	6	6	1	17	-	-	-	-	-	4	1	3	-	8	9	7	9	1	25
		Amount outstanding	145.14	302.55	120.52	10.04	578.25	-	-	-	-	-	11.33	13.92	33.80	-	59.05	156.47	316.47	154.32	10.04	637.30
		Provision thereon	7.40	15.11	15.27	1.80	39.58	-	-	-	-	-	0.17	0.57	0.45	-	1.19	7.57	15.68	15.72	1.80	40.77
2	Fresh restructuring during the year	No. of borrowers	-	-	1	-	1	-	-	-	-	-	1	-	2	-	3	1	-	3	-	4
		Amount outstanding	-	-	34.67	-	34.67	-	-	-	-	-	2.20	-	17.84	-	20.04	2.20	-	52.51	-	54.71
		Provision thereon	-	-	0.23	-	0.23	-	-	-	-	-	-	-	0.05	-	0.05	-	-	0.28	-	0.28
3	Upgradations to restructured standard category during the year	No. of borrowers	1	-1	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-1	-	-	-
		Amount outstanding	+30.88	-30.88	-	-	-	-	-	-	-	-	-	-	-	-	-	+30.88	-30.88	-	-	-
		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	+1-5	+5	-	-	-	-	-	-	-	-	-	-1	+1	-	-1	-4	+4	+1	-
		Amount outstanding	-47.62	+47.62 -237.11	+237.11	-	-	-	-	-	-	-	-	-	-2.80	+2.80	-	-47.62	-189.49	+234.31	+2.80	-
		Provision thereon	-1.00	+1.00 -5.29	+5.29	-	-	-	-	-	-	-	-	-	-0.06	+0.06	-	-1.00	-4.29	+5.23	+0.06	-
6	Write-offs of restructured accounts during the year	No. of borrowers	-	-	1	-	1	-	-	-	-	-	-	1	-	-	1	-	1	1	-	2
		Amount outstanding	-	-	19.38	-	19.38	-	-	-	-	-	-	12.13	-	-	12.13	-	12.13	19.38	-	31.51
7	Restructured accounts as on March 31, 2013*	No. of borrowers	4	1	10	1	16	-	-	-	-	-	3	-	3	1	7	7	1	13	2	23
		Amount outstanding	73.48	47.62	356.97	13.92	491.99	-	-	-	-	-	7.63	-	25.70	2.80	36.13	81.11	47.62	382.67	16.72	528.12
		Provision thereon	1.00	1.00	15.31	0.96	18.27	-	-	-	-	-	0.13	-	0.23	0.06	0.42	1.13	1.00	15.54	1.02	18.69

**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.

 # Particulars of accounts restructured include a borrower whose investment in preference shares is classified as substandard and other performing credit facilities granted to the said borrower are not treated as NPA in accordance with RBI guidelines.

● Details of financial assets sold to securitisation/reconstruction companies (SC/RC) for asset reconstruction are as under:

Amounts in (₹) crore

Particulars	March 31, 2014	March 31, 2013
Number of accounts	4	Nil
Aggregate value (net of provisions) of accounts sold to SC/RC	4.82	Nil
Aggregate considerations	6.13	Nil
Additional consideration realized on full redemption of accounts transferred in earlier years	3.30	Nil
Aggregate gain over net book value	1.31	Nil

Additional consideration realized on full redemption of accounts transferred during the year ₹ 6.36 crore (previous year: Nil).

● During the years ended March 31, 2014 and March 31, 2013, no non-performing financial assets were sold, excluding those sold to SC/RC.

● During the years ended March 31, 2014 and March 31, 2013, no non-performing financial assets were purchased by the Bank.

10. Details of exposures to real estate and capital market sectors, risk category-wise country 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.

(₹) in crore

Category	March 31, 2014	March 31, 2013
a) Direct exposure*	**29,749.41**	**25,241.74**
(i) Residential mortgages**	19,683.42	16,890.83
(ii) Commercial real estate	9,891.67	8,115.58
(iii) Investments in mortgage backed securities (MBS) and other securitised exposures:		
a. Residential	174.32	235.33
b. Commercial real estate	-	-
b) Indirect exposure	**7,227.71**	**4,879.73**
Fund based and non-fund based exposures on National Housing Bank (NHB) and housing finance companies (HFCs)	**7,227.71**	4,879.73
Total exposure to real estate sector	**36,977.12**	**30,121.47**

**Direct exposure includes housing loans eligible for inclusion in priority sector lending ₹ 18,541.59 crore (previous year: ₹ 15,831.70 crore).*

***includes loans purchased under the direct loan assignment route*

Of the above, exposure to real estate developers is 0.4% (previous year: 0.4%) of total advances.

● **Details of capital market exposure**

Exposure is higher of limits sanctioned or the amount outstanding as at the year end.

(₹) in crore

S. No.	Particulars	March 31, 2014	March 31, 2013
(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	76.14	66.31
(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	105.96	145.34
(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	1,305.60	1,481.43
(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	17.90	36.09
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	4,994.17	4,655.73
(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	2,514.09	1,122.80
(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)	1.70	2.10
Total exposure to capital market		**9,015.56**	**7,509.80**

- **Details of risk category wise country exposure**

(₹) in crore

Risk Category	March 31, 2014		March 31, 2013	
	Exposure (Net)	Provision held	Exposure (Net)	Provision held
Insignificant	12,346.98	3.97	8,300.90	-
Low	3,316.35	-	4,141.05	-
Moderately low	4,726.96	-	2,131.08	-
Moderate	19.82	-	611.68	-
Moderately high	28.48	-	42.48	-
High	-	-	-	-
Very High	-	-	0.04	-
Total	**20,438.59**	**3.97**	**15,227.23**	**-**

- **Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the Bank**

During the years ended March 31, 2014 and March 31, 2013, the Bank's credit exposure to single borrowers and group borrowers were within the limits prescribed by 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 on March 31, 2014 (previous year: Nil).

- **Inter-bank Participation with risk sharing**

  The aggregate amount of participation issued by the Bank, reduced from advances as per regulatory guidelines, outstanding as of March 31, 2014was ₹ 4,450.00 crore (previous year: ₹ 2,330.00 crore).

- **Concentration of deposits, advances, exposures and NPAs**

(a) Concentration of deposits

Amounts in (₹) crore

Particulars	March 31, 2014	March 31, 2013
Total deposits of twenty largest depositors	28,211.29	23,061.07
Percentage of deposits of twenty largest depositors to total deposits of the Bank	7.7%	7.8%

(b) Concentration of advances

Amounts in (₹) crore

Particulars	March 31, 2014	March 31, 2013
Total advances to twenty largest borrowers	63,659.46	52,662.79
Percentage of advances of twenty largest borrowers to total advances of the Bank	13.4%	12.8%

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

Amounts in (₹) crore

Particulars	March 31, 2014	March 31, 2013
Total exposure to twenty largest borrowers/ customers	76,011.79	64,001.84
Percentage of exposure of twenty largest borrowers/ customers to total exposure of the Bank on borrowers/ customers	15.2%	14.7%

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

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Total gross exposure to top four NPA accounts	354.73	288.30

11. Other fixed assets (including furniture and fixtures)

Other fixed assets includes amount capitalised relating to software having useful life of five years. Details regarding the same are tabulated below:

(₹) in crore

Particulars	2014	2013
Cost		
As at March 31 of the previous year	1,093.49	830.10
Additions during the year	188.59	263.40
Deductions during the year	-	(0.01)
Total (a)	**1,282.08**	**1,093.49**
Depreciation		
As at March 31 of the previous year	711.17	563.74
Charge for the year	146.32	147.44
On deductions during the year	-	(0.01)
Total (b)	**857.49**	**711.17**
Net value as at March 31 (a-b)	**424.59**	**382.32**

12. Other assets

- Other assets include deferred tax asset (net) of ₹ 1,859.51 crore (previous year: ₹ 1,904.85 crore). The break-up of the same is as follows:

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Deferred tax asset arising out of:		
Loan loss provisions	1,496.42	1,453.10
Employee benefits	121.60	118.80
Others	300.06	390.90
Total (a)	**1,918.08**	**1,962.80**
Deferred tax liability arising out of:		
Depreciation	(58.57)	(57.95)
Total (b)	**(58.57)**	**(57.95)**
Deferred tax asset (net) (a-b)	**1,859.51**	**1,904.85**

- Key items under "Others" in Other assets are as under:

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Unrealised gain on foreign exchange and derivative contracts*	13,965.15	7,463.93
Deferred tax assets	1,859.51	1,904.85
Deposits & amounts paid in advance	900.74	1,398.32
Accounts receivable	2,128.93	1,257.02
Margin for LAF with RBI	-	1,025.00
Residuary items	12.52	39.63
Total	**18,866.85**	**13,088.75**

**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.*

13 Maturity pattern of key assets and liabilities

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI.

(₹) in crore

As at March 31, 2014	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	6,022.49	6,943.89	4,308.40	8,278.80	34,841.80	24,585.12	29,450.83	143,717.35	22,597.09	22,254.50	303,000.27
Investments	19,500.79	3,025.34	2,639.62	2,872.83	5,527.87	9,535.79	7,278.14	35,235.61	6,342.03	28,993.05	120,951.07
Deposits	6,774.10	11,853.43	9,403.92	10,527.24	18,492.97	26,127.75	18,568.22	167,127.92	9,377.39	89,084.54	367,337.48
Borrowings	1,473.91	745.92	119.81	458.95	4,478.22	1,210.06	2,525.06	11,053.00	8,442.91	8,931.15	39,438.99
Foreign currency assets	5,840.51	5,617.07	1,049.39	1,858.85	6,223.78	4,304.94	601.83	16,204.19	1,484.80	169.10	43,354.46
Foreign currency liabilities	613.10	1,048.49	224.77	1,184.84	4,883.09	2,729.69	4,846.39	34,270.24	8,523.87	636.90	58,961.38

(₹) in crore

As at March 31, 2013	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	5,160.79	4,770.92	4,617.22	6,939.38	22,673.07	22,676.59	25,700.78	110,569.48	18,146.42	18,465.99	239,720.64
Investments	4,397.94	13,865.75	2,429.28	2,692.10	7,566.13	7,183.02	7,752.56	34,347.67	5,051.12	26,328.03	111,613.60
Deposits	4,667.75	10,306.01	7,730.10	7,288.12	18,957.09	20,887.03	17,959.52	126,568.53	5,224.33	76,658.50	296,246.98
Borrowings	239.53	1,435.14	504.35	565.12	2,980.61	4,029.55	999.08	4,028.92	6,474.45	11,749.85	33,006.60
Foreign currency assets	1,360.66	5,030.23	1,360.79	1,288.74	5,855.24	5,119.54	1,117.90	2,588.78	1,404.62	106.48	25,232.98
Foreign currency liabilities	293.96	1,074.45	549.93	777.62	3,683.12	4,636.29	2,224.74	3,005.35	4,623.94	576.69	21,446.09

14. 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

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Opening provision for reward points	130.07	85.80
Provision for reward points made during the year	100.89	109.35
Utilisation / write back of provision for reward points	(57.72)	(62.65)
Effect of change in rate for accrual of reward points	(22.33)	14.11
Effect of change in cost of reward points	-	(16.54)
Closing provision for reward points	150.91	130.07

(b) Provision for legal and other contingencies

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Opening provision	312.66	286.03
Movement during the year (net)	39.95	26.63
Closing provision	352.61	312.66

(c) Description of contingent liabilities

S.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,	As a part of its commercial banking activities, the Bank issues documentary credit and guarantees on behalf of its customers.

S.No.	Contingent liability[*]	Brief description
	acceptances, endorsements and other obligations	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*

15. Business ratios / information

Particulars	March 31, 2014	March 31, 2013
Interest income as a percentage to working funds[1]	9.72%	9.91%
Net interest income as a percentage to working funds	4.37%	4.47%
Non-interest income as a percentage to working funds	1.87%	1.94%
Operating profit[2] as a percentage to working funds	3.39%	3.23%
Return on assets (average)	2.00%	1.90%
Business[3] per employee (₹ in crore)	8.90	7.50
Profit per employee[4] (₹ in crore)	0.12	0.10
Gross non-performing assets to gross advances[5]	0.98%	0.97%
Gross non-performing advances to gross advances	0.91%	0.85%
Percentage of net non-performing assets[6] to net advances[7]	0.27%	0.20%
Provision Coverage Ratio[8]	72.57%	79.91%

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.*

16. Interest income

Interest income under the sub-head Income from Investments includes dividend received during the year ended March 31, 2014on units of mutual funds, equity and preference shares amounting to ₹ 89.86 crore (previous year: ₹ 180.35 crore).

17. 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, 2014and March 31, 2013, 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, 2014 was ₹ 348.28 crore (previous year: ₹ 353.47 crore), and liquidity enhancement was ₹ 8.10 crore (previous year: ₹ 8.10 crore). Outstanding servicing liability was ₹ 0.19 crore (previous year: ₹ 0.27 crore).

18. 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, 2014 includes fees (net of service tax) of ₹ 337.56 crore (previous year: ₹ 469.21 crore) in respect of life insurance business and ₹ 116.69 crore (previous year: ₹ 125.47 crore) in respect of general insurance business.

- ***Miscellaneous income***

   Miscellaneous income includes recoveries from written-off accounts amounting to ₹ 622.61 crore (previous year: ₹ 496.54 crore).

19. Other expenditure

Other expenditure includes outsourcing fees amounting to ₹ 590.31 crore (previous year: ₹ 530.26 crore) and commission paid to sales agents amounting to ₹ 1,003.26 crore (previous year: ₹ 963.30 crore), exceeding 1% of the total income of the Bank.

20. Provisions and contingencies

The break-up of provisions and contingencies included in the Statement of Profit and Loss is given below:

(₹) in crore

Particulars	**March 31, 2014**	**March 31, 2013**
Provision for income tax		
- Current	4,269.41	3,275.76
- Deferred	24.27	(251.42)
Provision for wealth tax	0.75	0.60
Provision for NPAs	1,632.58	1,234.21
Provision for diminution in value of non-performing investments	(4.12)	52.21
Provision for standard assets	221.29	123.71
Other provisions and contingencies*	(262.48)	266.27
Total	**5,881.70**	**4,701.34**

**Includes (write-back) / provisions for tax, legal and other contingencies ₹ (265.33) crore (previous year: ₹ (133.21) crore), floating provisions ₹ 30.00 crore (previous year: ₹ 400.00 crore), provisions for securitised-out assets ₹ (26.21) crore (previous year: ₹ 5.92 crore) and standard restructured assets ₹(0.94)crore (previous year: ₹ (6.44) crore).*

21. Employee benefits

Gratuity

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	206.28	166.30
Interest cost	17.87	13.06
Current service cost	38.88	38.73
Benefits paid	(15.42)	(11.76)
Actuarial (gain) / loss on obligation:		
Experience adjustment	5.87	2.72
Assumption change	(16.05)	(2.77)
Present value of obligation as at March 31	**237.43**	**206.28**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	130.22	91.86
Expected return on plan assets	12.11	8.88
Contributions	43.82	39.24
Benefits paid	(15.42)	(11.76)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	1.87	2.00
Assumption change	-	-
Fair value of plan assets as at March 31	**172.60**	**130.22**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	172.60	130.22
Present value of obligation as at March 31	(237.43)	(206.28)
Asset / (liability) as at March 31	**(64.83)**	**(76.06)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	17.87	13.06
Current service cost	38.88	38.73
Expected return on plan assets	(12.11)	(8.88)
Net actuarial (gain) / loss recognised in the year	(12.04)	(2.04)
Net cost	**32.60**	**40.87**
Actual return on plan assets	13.97	10.88
Estimated contribution for the next year	48.30	30.96
Assumptions		
Discount rate	9.0% per annum	8.1% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	8.5% per annum

Experience adjustment

(₹) in crore

Particulars	Years ended March 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Plan assets	172.60	130.22	91.86	66.00	51.74
Defined benefit obligation	237.43	206.28	166.30	136.08	99.20
Surplus/(deficit)	(64.83)	(76.06)	(74.44)	(70.08)	(47.46)
Experience adjustment gain/(loss) on plan assets	1.87	2.00	(0.93)	0.01	7.40
Experience adjustment(gain)/loss on plan liabilities	5.87	2.72	1.25	9.56	(5.02)

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, 2014 are given below:

Category of plan assets	% of fair value to total plan assets
Government securities	26.0
Debenture and bonds	32.9
Equity shares	32.3
Others	8.8
Total	**100.0**

Pension

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	58.19	56.85
Interest cost	4.84	4.18
Current service cost	0.77	1.32
Benefits paid	(8.88)	(11.09)
Actuarial (gain) / loss on obligation:		
Experience adjustment	3.62	6.12
Assumption change	0.35	0.81
Present value of obligation as at March 31	**58.89**	**58.19**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	48.88	51.14
Expected return on plan assets	3.87	4.00
Contributions	0.67	6.41
Benefits paid	(8.88)	(11.09)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	3.45	(1.58)
Assumption change	-	-
Fair value of plan assets as at March 31	**47.99**	**48.88**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	47.99	48.88
Present value of obligation as at March 31	(58.89)	(58.19)
Asset / (liability) as at March 31	**(10.90)**	**(9.31)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	4.84	4.18
Current service cost	0.77	1.32
Expected return on plan assets	(3.87)	(4.00)
Net actuarial (gain) / loss recognised in the year	0.51	8.51
Net cost	**2.25**	**10.01**
Actual return on plan assets	7.33	2.42
Estimated contribution for the next year	9.30	9.48
Assumptions		
Discount rate	9.0% per annum	8.1% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	8.5% per annum

Experience adjustment

(₹) in crore

Particulars	Years ended March 31,				
	2014	2013	2012	2011	2010
Plan assets	47.99	48.88	51.14	43.35	38.78
Defined benefit obligation	58.89	58.19	56.85	57.38	40.70
Surplus / (deficit)	(10.90)	(9.31)	(5.71)	(14.03)	(1.92)
Experience adjustment gain/(loss) on plan assets	3.45	(1.58)	(1.29)	2.85	2.78
Experience adjustment (gain)/loss on plan liabilities	3.62	6.12	1.36	18.50	2.12

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 of March 31, 2014 are given below:

Category of Plan Assets	% of fair value to total plan assets
Government securities	6.3
Debenture and bonds	67.4
Others	26.3
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 Actuary Society of India (ASI) 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 holds a provision of ₹ 0.52 crore as on March 31, 2014 (previous year: ₹ 9.57 crore) 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, 2014	March 31, 2013
Discount rate (GOI security yield)	8.9% per annum	8.0% per annum
Expected guaranteed interest rate	9.0% per annum	8.6% per annum

The Bank does not have any unfunded defined benefit plan. The Bank contributed ₹ 143.34 crore (previous year: ₹ 129.54 crore) to the provident fund and ₹ 43.22 crore (previous year: ₹ 37.33 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:

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Privileged leave	213.13	211.25
Sick leave	45.29	40.50
Total actuarial liability	**258.42**	**251.75**
Assumptions		
Discount rate	9.0% per annum	8.1% per annum
Salary escalation rate	8.5% per annum	8.5% per annum

22. Disclosures on remuneration

Qualitative Disclosures

A Information relating to the composition and mandate of the Remuneration Committee

Composition of the Remuneration Committee

The Board of Directors of the Bank has constituted the Remuneration Committee (hereinafter, the 'Remuneration Committee') for overseeing and governing the compensation policies of the Bank. The Remuneration Committee is comprised of four independent directors and is chaired by the Chairman of the Board of Directors of the Bank. Further, two members of the Remuneration Committee are also members of the Risk Policy and Monitoring Committee ('RPMC') of the Board.

The Remuneration Committee is comprised of the Chairman, Mr. C. M. Vasudev, Dr. Pandit Palande, Mr. Partho Datta and Mr. Bobby Parikh. Further, Mr. C.M. Vasudev and Mr. Partho Dutta are also members of the RPMC.

Mandate of the Remuneration Committee

The primary mandate of the Remuneration Committeeis to oversee the implementation of compensation policies of the Bank.

The Remuneration Committee 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 Remuneration Committee. The Remuneration Committee co-ordinates with the RPMC to ensure that compensation is aligned with prudent risk taking.

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 compensation structure for both the categories of employees is determined by the Remuneration Committee 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 Remuneration Committee 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 are comprised of contributions to provident fund, superannuation fund (for certain job bands) and gratuity. 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 Remuneration Committee 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 Remuneration Committee 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, subject to RBI approval.
13.33%	As on the start date of the subsequent financial year immediately following the reference performance year.
13.33%	As on the start date of the second financial year immediately following the reference performance year.
13.33%	As on the start date of the third financial year immediately 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 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 incentive 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 (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.

- Incentive Plans

  Incentive Plans are formulated for sales personnel who are given origination/sales targets but have limited impact on risk since credit decisions are exercised independent of the sales function. Most incentive plans have quarterly payouts and are based on the framework of a balanced scorecard. In alignment with the principles of prudent risk management, a portion of the incentive payouts are deferred till the end of the year and are linked to attainment of targets for the full year.

  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) 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 Wholetime 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 Remuneration Committee.

The grant of options is reviewed and approved by the Remuneration Committee. The number of options granted varies at the discretion of the Remuneration Committee 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 Remuneration Committee. Equity share options granted to the Whole Time Directors are subject to the approval of the Remuneration Committee, 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.

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 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. Based on the surplus available post adjustment of the cost of capital to cover all such risks and factoring the impact of bonus payout on operating costs an appropriate bonus pool is arrived at.

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.

D **Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration**

Levels of remuneration in the Bank are linked to the performance of the individual employees and the respective business functions. The performance driven pay culture is briefly described 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 individual performance, role, and function, the Bank has formulated the following variable pay plans:

- **Annual Bonus Plan**

  The Bank's annual bonus is computed as a multiple of the standardised gross salary for every job band. The bonus multiple is based on performance rating, job band and the functional category of the individual employee. All other things remaining equal, for a given job band, the bonus multiple 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 incentive plans.

- **Incentive Plans**

  The Bank has formulated incentive plans for its sales personnel who are given origination/sales targets. All incentive payouts are subject to the achievement of individual targets enumerated in the respective scorecards of the employees. A portion of the incentive payouts are deferred till the end of the year and are linked to attainment of targets for the full year.

E **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 Remuneration Committee 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, subject to RBI approval.
13.33%	As on the start date of the subsequent financial year immediately following the reference performance year.
13.33%	As on the start date of the second financial year immediately following the reference performance year.
13.33%	As on the start date of the third financial year immediately 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 Remuneration Committee, then the Remuneration Committee 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 Remuneration Committee 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 incentive 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 (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.

● ***Incentive Plans***

Incentive Plans are formulated for sales personnel who are given origination / sales targets but have limited impact on risk since credit decisions are exercised independent of the sales function. Most incentive plans have quarterly payouts. In alignment with the principles of prudent risk management, a portion of the incentive payouts are deferred till the end of the year and are linked to attainment of targets for the full year.

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 incentives. This is based on performance rating, job band and functional category of the individual.

● **Incentive Plans**

These are paid to frontline sales staff for the achievement of specific sales targets but 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 rather than just the achievement of financial numbers. Incentives are generally paid every quarter. A portion of the incentive payouts are deferred till the end of the year and are linked to attainment of targets for the full year.

● **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.

S. No.	Subject	March 31, 2014	March 31, 2013
(a)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members	Number of meetings: 7 Remuneration paid: ₹ 0.05 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	21employees	22employees
(b) (ii)	Number and total amount of sign-on awards made during the financial year	None	None
(b) (iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	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 ₹ 3.02 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	₹ 0.60 crore	Nil
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	₹ 32.83 crore (Fixed*) ₹ 9.92 crore (Variable pay pertaining to financial year ended March 31, 2013, in relation to employees where there was no deferment of pay) ₹ 4.53 crore** (Variable pay pertaining to financial year ended March 31, 2013, in relation to employees where there was deferment of pay), of which ₹ 1.81 crore was deferred and ₹ 2.72 crore was non-deferred.	₹ 31.81crore (Fixed*) ₹ 9.82 crore (Variable pay pertaining to financial year ended March 31, 2012, in relation to employees where there was no deferment of pay) ₹ 4.53 crore (Variable pay pertaining to financial year ended March 31, 2012, in relation to employees where there was deferment of pay), of which ₹ 1.81 crore was deferred and ₹ 2.72 crore was non-deferred.
(e) (i)	Total amount of outstanding deferred remuneration and	Total amount of outstanding deferred remuneration (cash	Total amount of outstanding deferred remuneration (cash

S. No.	Subject	March 31, 2014	March 31, 2013
	retained remuneration exposed to ex post explicit and / or implicit adjustments.	bonus) was ₹ 3.02 crore	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

Excludes gratuity benefits, since the same is computed at Bank level.

***Includes deferred variable pay of ₹ 0.98 crore and non-deferred variable pay of ₹ 1.48 crore approved by the RBI subsequent to March 31, 2014 vide letter dated April 2, 2014*

Note: 4,241,000 stock options were granted to the Bank's Key Risk Takers during the year ended March 31, 2014 (previous year: Nil).

23. 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, 2014 is given below:

Business segments:

(₹) in crore

S. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	11,786.70	40,804.86	19,645.34	5,033.55	77,270.45
2	Unallocated revenue					2.58
3	Less: Inter-segment revenue					28,217.85
4	Income from operations (1) + (2) – (3)					49,055.18
5	Segment results	412.30	5,685.41	5,940.11	1,920.46	13,958.28
6	Unallocated expenses					1,186.21
7	Income tax expense (including deferred tax)					4,293.67
8	Net profit (5) – (6) – (7)					8,478.40
9	Segment assets	160,537.01	169,135.07	143,652.82	14,333.65	487,658.55
10	Unallocated assets					3,940.97

S. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
11	Total assets (9) + (10)					491,599.52
12	Segment liabilities	38,125.60	298,225.26	90,597.43	1,737.86	428,686.15
13	Unallocated liabilities					19,434.72
14	Total liabilities (12) + (13)					448,120.87
15	Capital employed (9) - (12)	122,411.41	(129,090.19)	53,055.39	12,595.79	58,972.40
16	Unallocated (10) - (13)					(15,493.75)
17	Total (15) + (16)					43,478.65
18	Capital expenditure	3.16	860.96	21.75	32.35	918.22
19	Depreciation	6.7	531.85	90.93	42.13	671.61

Geographic segments:

(₹) in crore

Particulars	Domestic	International
Revenue	48,304.19	750.99
Assets	461,809.17	29,790.35
Capital expenditure	917.53	0.69

Segment reporting for the year ended March 31, 2013 is given below:

Business segments:

(₹) in crore

S. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	9,711.02	34,919.65	17,633.82	3,902.56	66,167.05
2	Unallocated revenue					112.77
3	Less: Inter-segment revenue					24,362.33
4	Income from operations (1) + (2) – (3)					41,917.49
5	Segment results	225.00	4,424.15	4,751.96	1,564.12	10,965.23
6	Unallocated expenses					1,214.61
7	Income tax expense (including deferred tax)					3,024.34
8	Net profit (5) – (6) – (7)					6,726.28
9	Segment assets	139,459.18	138,001.73	107,109.05	11,331.21	395,901.17
10	Unallocated assets					4,430.73
11	Total assets (9) + (10)					400,331.90
12	Segment liabilities	24,652.79	234,968.21	82,810.62	1,016.26	343,447.88
13	Unallocated liabilities					20,669.88
14	Total liabilities (12) + (13)					364,117.76
15	Capital employed	114,806.39	(96,966.48)	24,298.43	10,314.95	52,453.29

S. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
	(9) - (12)					
16	Unallocated (10) - (13)					(16,239.15)
17	Total (15) + (16)					36,214.14
18	Capital expenditure	100.80	629.46	165.92	116.90	1,013.08
19	Depreciation	52.20	426.34	94.44	78.69	651.67

Geographic segments:

(₹) in crore

Particulars	Domestic	International
Revenue	41,529.43	388.06
Assets	386,064.61	14,267.29
Capital expenditure	1,012.67	0.41

24. Related party disclosures

As per AS-18, Related Party Disclosure, the Bank's related parties are disclosed below:

Promoter

Housing Development Finance Corporation Limited

Enterprises under common control of the promoter

- HDFC Asset Management Company Limited
- HDFC Developers Limited
- HDFC Investments Limited
- GRUH Finance Limited
- HDFC ERGO General Insurance Company Limited
- HDFC Ventures Trustee Company Limited
- Griha Investments
- HDFC Education and Development Services Private Limited
- HDFC Property Ventures Limited
- HDFC Life Pension Fund Management Company Limited
- Grandeur Properties Pvt. Ltd.
- Pentagram Properties Pvt. Ltd.
- HDFC Standard Life Insurance Company Limited
- HDFC Holdings Limited
- HDFC Trustee Company Limited
- HDFC Realty Limited
- HDFC Venture Capital Limited
- HDFC Sales Private Limited
- Credila Financial Services Private Limited
- HDFC Investments Trust
- Griha Pte Limited
- H T Parekh Foundation
- Windermere Properties Pvt. Ltd.
- Winchester Properties Pvt. Ltd.
- Haddock Properties Pvt. Ltd.

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
HDBEmployees Welfare Trust

Key management personnel
Aditya Puri, Managing Director
Paresh Sukthankar, Deputy Managing Director
Harish Engineer, Executive Director (retired from the services of the Bank effective September 30, 2013)
Kaizad Bharucha, Executive Director (appointed with effect from December 24, 2013)

Related parties to key management personnel

Salisbury Investments Private Limited, Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad, Sudha Engineer, Shreematiben Engineer, Nikhil Engineer, Uma Engineer, Mahesh Engineer, 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, 2014 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 ₹ 8.83 crore (previous year: ₹ 9.79 crore); HDFC Standard Life Insurance Company Limited ₹ 8.23 crore (previous year: ₹ 1.10 crore); Atlas Documentary Facilitators Company Private Limited ₹ 4.15 crore (previous year: ₹ 4.08 crore).

- Interest received: HDB Financial Services Limited ₹ 89.32 crore (previous year: ₹ 55.43 crore).

- Rendering of services: HDFC Standard Life Insurance Company Limited ₹ 340.90 crore (previous year: ₹ 472.33 crore), Housing Development Finance Corporation Limited ₹ 130.81 crore (previous year: ₹ 139.59 crore); HDFC ERGO General Insurance Company Limited ₹ 117.40 crore (previous year: ₹ 126.31 crore); HDFC Asset Management Company Limited ₹ 75.19 crore (previous year: ₹ 68.41 crore)

- Receiving of services: HBL Global Private Limited ₹ 492.75 crore (previous year: ₹ 464.56 crore); Atlas Documentary Facilitators Company Private Limited ₹ 430.00 crore (previous year: ₹ 393.48 crore).

- Dividend paid: Housing Development Finance Corporation Limited ₹ 216.27 crore (previous year: ₹ 169.08 crore); HDFC Investments Limited ₹ 82.50 crore (previous year: ₹ 64.50 crore);

The Bank's related party balances and transactions for the year ended March 31, 2014 are summarized as follows:

(₹) in crore

Items / Related party	Promoter	Enterprises under common control of the promoter	Subsidiaries	Associates	Key management personnel	Total
Deposits taken	5,494.84 (5,494.84)	676.99 (720.78)	215.67 (215.67)	85.12 (85.21)	10.25 (14.13)	6,482.87 (6,530.63)
Deposits placed	0.15	3.86	10.52	33.45	2.30	50.28
	(0.15)	(3.86)	(10.52)	(38.45)	(2.30)	(55.28)
Advances given	- -	0.05 (0.08)	917.27 (1,002.36)	44.40 (44.70)	0.94 (0.94)	962.66 (1,048.08)
Fixed assets purchased from	-	-	-	0.01	-	0.01
Fixed assets sold to	-	-	-	-	0.01	0.01
Interest paid to	8.83	19.18	1.32	4.25	0.73	34.31
Interest received from	-	8.24	89.32	0.86	0.02	98.44
Income from services rendered to	130.81	534.97	16.71	25.89	-	708.38
Expenses for	85.71	168.00	79.03	922.75	0.50	1,255.99

Items / Related party	Promoter	Enterprises under common control of the promoter	Subsidiaries	Associates	Key management personnel	Total
receiving services from						
Equity investments	- -	- -	1,510.20 (1,510.20)	31.19 (31.19)	- -	1,541.39 (1,541.39)
Other investments	- -	189.14 (189.14)	- -	39.72 (39.72)	- -	228.86 (228.86)
Dividend paid to	216.27	91.69	-	-	1.71	309.67
Dividend received from	-	-	0.95	0.01	-	0.96
Receivable from	12.49 (12.49)	63.99 (87.34)	0.89 (2.02)	- -	- -	77.37 (101.85)
Payable to	14.32 (14.32)	- -	17.22 (17.22)	23.05 (90.67)	- -	54.59 (122.21)
Guarantees given	0.11 (0.11)	0.04 (0.04)	0.05 (0.05)	- -	- -	0.20 (0.20)
Remuneration paid	-	-	-	-	11.08	11.08
Loans purchased from	5,556.07	-	-	-	-	5,556.07
NPAs sold to	-	-	-	6.42	-	6.42

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 certain parties which includes the promoter and related group companies. 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, 2014 is ₹ 250.00 crore (previous year: ₹ 250.00 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is ₹ 8.82 crore (previous year: ₹ 7.42 crore).

During the year ended March 31, 2014, the Bank purchased securities from Credila Financial Services Private Limited ₹ 236.56 crore (previous year: Nil) and from HDB Financial Services Limited ₹ 65.00 crore (previous year: ₹ 180.00 crore). During the year ended March 31, 2013, the Bank had also purchased securities from HDFC Standard Life Insurance Company Limited ` 294.24 crore. During the year ended March 31, 2014, the Bank sold securities to HDFC Standard Life Insurance Company Limited with book values aggregating ₹ 336.88 crore (previous year: ₹ 650.02 crore), to HDFC ERGO General Insurance Company Limited ₹ 24.86 crore (previous year: ₹ 217.16 crore). During the year ended March 31, 2014, the Bank redeemed securities of Credila Financial Services Private Limited ₹ 50.00 crore (previous year: Nil). During the year ended March 31, 2013 the Bank had also sold securities to Key Management Personnel ₹ 5.26 crore.

As of March 31, 2014, investment of HDFC Standard Life Insurance Company Limited in the Bank's tier II bonds amounted to ₹ 85.00 crore (previous year: ₹ 61.00 crore) and that of HDFC ERGO General Insurance Company Limited amounted to ₹ 5.00 crore (previous year: ₹ 5.00 crore).

During the year ended March 31, 2014, 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, 2014, the security deposit outstanding was ₹ 3.50 crore (previous year: ₹ 4.28 crore).

The deposit outstanding from HDB Employees Welfare Trust as of March 31, 2014 was ₹ 45.12 crore (previous year: ₹ 49.66 crore). The Bank also paid interest on deposit from HDB Employees Welfare Trust aggregating to ₹ 4.41 crore (previous year: ₹ 4.55 crore).

The Bank's related party balances and transactions for the year ended March 31, 2013 are summarized as follows:

(₹) in crore

Items / Related party	Promoter	Enterprises under common control of the promoter	Subsidiaries	Associates	Key management personnel	Total
Deposits taken	1,985.17 (3,193.25)	566.11 (729.10)	281.82 (369.08)	44.13 (48.97)	5.67 (6.61)	2,882.90 (4,347.01)
Deposits placed	0.15 (0.15)	-	9.76 (9.76)	38.45 (38.45)	2.22 (2.22)	50.58 (50.58)
Advances given	-	-	643.71 (643.71)	7.98 (17.93)	0.73 (0.73)	652.42 (662.37)
Fixed assets purchased from	-	-	-	-	-	-
Fixed assets sold to	-	-	-	-	-	-
Interest paid to	9.79	12.77	2.88	4.12	0.41	29.97
Interest received from	-	-	55.46	1.87	0.04	57.37
Income from services rendered to	139.59	668.68	18.15	20.95	-	847.37
Expenses for receiving services from	47.94	111.07	67.62	858.04	0.60	1,085.27
Equity investments	-	-	723.62 (748.62)	31.19 (31.19)	-	754.81 (779.81)
Other investments	-	-	-	15.67 (21.31)	-	15.67 (21.31)
Dividend paid to	169.08	68.83	-	-	1.15	239.06
Dividend received from	-	-	0.76	0.01	-	0.77
Receivable from	13.97 (13.97)	101.74 (101.74)	0.32 (1.59)	2.42 (2.42)	-	118.45 (119.72)
Payable to	- (8.12)	- -	12.71 (12.95)	66.87 (107.23)	- -	79.58 (128.30)
Guarantees given	0.10 (0.10)	0.13 (0.13)	0.05 (0.05)	- -	- -	0.28 (0.28)
Remuneration paid	-	-	-	-	11.95	11.95
Loans purchased from	5,164.40	-	27.72	-	-	5,192.12

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.

25. 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:

(₹) in crore

Period	March 31, 2014	March 31, 2013
Not later than one year	679.84	611.59
Later than one year and not later than five years	2,286.63	2,076.89
Later than five years	1,239.62	1,021.66
Total	**4,206.09**	**3,710.14**
The total of minimum lease payments recognised in the Statement of Profit and Loss for the year	765.57	700.61
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	74.78	64.30
Sub-lease amounts recognised in the Statement of Profit and Loss for the year	29.70	24.22
Contingent (usage based) lease payments recognized in the Statement of Profit and Loss for the year	133.29	105.55

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.

26. Penalties levied by the RBI

During the year ended March 31, 2014, the RBI imposed a penalty of ₹ 4.50 crore on the Bank for certain irregularities and violations discovered by the RBI, viz., non-observance of certain safeguards in respect of arrangement of “at par” payment of cheques drawn by cooperative banks, exceptions in periodic review of risk profiling of account holders, non-adherence to KYC rules for walk-in customers (non-customers) including for sale of third party products, sale of gold coins for cash in excess of ₹ 50,000 in certain cases and non-submission of proper information required by the RBI.

27. Disclosure for customer complaints / unimplemented awards of Banking Ombudsman

- **Customer complaints**

(A) Customer complaints other than ATM transaction disputes

Particulars	March 31, 2014	March 31, 2013
(a) No. of complaints pending at the beginning of the year	2,293	1,417
(b) No. of complaints received during the year	123,860	132,619
(c) No. of complaints redressed during the year	125,698	131,743
(d) No. of complaints pending at the end of the year	455	2,293

(B) ATM transaction disputes relating to the Bank’s customers on the Bank’s ATMs

Particulars	March 31, 2014	March 31, 2013
(a) No. of complaints pending at the beginning of the year	183	234
(b) No. of complaints received during the year	12,586	24,461
(c) No. of complaints redressed during the year	12,610	24,512
(d) No. of complaints pending at the end of the year	159	183
(e) Complaints per ten thousand transactions	0.45	0.86

(C) ATM transaction disputes relating to the Bank’s customers on other banks’ ATMs

Particulars	March 31, 2014	March 31, 2013
(a)No. of complaints pending at the beginning of the year	1,570	3,643
(b) No. of complaints received during the year	127,955	155,918
(c) No. of complaints redressed during the year	127,924	157,991
(d) No. of complaints pending at the end of the year	1,601	1,570
(e) Complaints per ten thousand transactions	6.44	8.63

(D) Total customer complaints and ATM transaction disputes [total of tables (A), (B) and (C) above]

Particulars	March 31, 2014	March 31, 2013
(a) No. of complaints pending at the beginning of the year	4,046	5,294
(b) No. of complaints received during the year	264,401	312,998
(c) No. of complaints redressed during the year	266,232	314,246
(d) No. of complaints pending at the end of the year	2,215	4,046

Note: ATM transaction disputes reported in the above tables are in accordance with RBI guidelines on disclosure of customer complaints.

- **Unimplemented awards of Banking Ombudsmen (BO)**

Particulars	March 31, 2014	March 31, 2013
(a) No. of unimplemented awards at the beginning of the year	Nil	Nil
(b) No. of awards passed by the BO during the year	1	2
(c) No. of awards implemented during the year	1	2

(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 6.2 per month during the year ended March 31, 2014 (previous year: 8.0 per month). For the year ended March 31, 2014, retail branch banking segment accounted for 74.19% of the total complaints (an increase from 74.12% for the previous year) followed by credit cards at 17.22% of the total complaints (an increase from 12.99% for the previous year), retail assets at 4.04% of the total complaints (a reduction from 6.90% for the previous year), while other segments accounted for 4.55% of total complaints (as against 5.99% in the previous year). The top 10 areas of customer complaints for the year ended March 31, 2014, including ATM transaction disputes, accounted for 67.05% of total complaints as against 66.83% for the year ended March 31, 2013. 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', 'statement related - credit cards', 'address change request given at branch not done', 'instant account not activated - personal details not updated' 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, 2013, the number of BO complaints per branch for the Bank was 1.67 (previous year: 2.28). The number of BO complaints other than credit cards per 1,000 accounts was at 0.11 (previous year: 0.15). The number of BO complaints (credit card related) per 1,000 cards was at 0.08 (previous year: 0.06) for the Bank.

28. Disclosure of Letter of Comforts (LoCs) issued by the Bank

The Bank has not issued any Letter of Comfort during the years ended March 31, 2014and March 31, 2013.

29. 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.

30 Overseas assets, NPAs and revenue

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Total Assets	29,790.35	14,267.29
Total NPAs	37.45	Nil
Total Revenue	750.99	388.06

31. Off-Balance sheet SPVs

There are no Off-Balance Sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.

32. Credit Default Swaps

The Bank has not transacted in credit default swaps during the year ended March 31, 2014 (previous year: Nil).

33. Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

As per our report of even date For and on behalf of the Board

For **B S R & Co. LLP** *Chartered Accountants* Firm's Registration No.: 101248W	**C. M. Vasudev** Chairman	**Aditya Puri** Managing Director	**Bobby Parikh** **Partho Datta** **Pandit Palande**
	Paresh Sukhtankar Deputy Managing Director	**Kaizad Bharucha** Executive Director	**Vijay Merchant** **Keki Mistry** **Renu Karnad**
Akeel Master *Partner* Membership No.: 046768 **Mumbai, April 22, 2014**	**Sanjay Dongre** Executive Vice President (Legal) & Company Secretary	**Sashidhar Jagdishan** Chief Financial Officer	*Directors*

Independent Auditor's Report

To the Members of HDFC Bank Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of HDFC Bank Limited ('the Bank'), which comprise the Balance Sheet as at 31 March 2013 and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956 and circulars and guidelines issued by the Reserve Bank of India from time to time. This responsibility includes the design, implementation and maintenance of internal control 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

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of the Bank including its branches and central processing units in accordance with Standards on Auditing ('the Standards') issued by the Institute of Chartered Accountants of India. 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 of material misstatements.

4. An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India:

   (a) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31 March 2013;

   (b) in the case of the Statement of Profit and Loss, of the profit of the Bank for the year ended on that date; and

   (c) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. The Balance Sheet and the Statement of Profit and Loss and the Cash Flow Statement have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.

8. We report that:

   (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

   (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;

   (c) during the course of our audit we have visited 23 branches. Since the key operations of the Bank are completely automated and the key applications are integrated with the core banking systems, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are centrally available therein.

9. In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.

10. We further report that:

    (i) the Balance Sheet and the Statement of Profit and Loss dealt with by this report are in agreement with the books of account;

    (ii) the financial accounting systems of the Bank are centralised and, therefore, accounting returns are not submitted by the branches;

    (iii) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books;

    (iv) on the basis of written representations received from the Directors and taken on record by the Board of Directors, none of the Director is disqualified as on 31 March 2013 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

N Sampath Ganesh
Partner
Membership No: 042554

Mumbai
23 April 2013

Balance Sheet as at March 31, 2013

₹ '000s

	Schedule	As at 31-Mar-13	As at 31-Mar-12
CAPITAL AND LIABILITIES			
Capital	1	4,758,838	4,693,377
Reserves and surplus	2	357,382,646	294,550,358
Employees' Stock Options (Grants) Outstanding		-	3,020
Deposits	3	2,962,469,846	2,467,064,459
Borrowings	4	330,065,972	238,465,086
Other liabilities and provisions	5	348,641,671	374,318,690
Total		**4,003,318,973**	**3,379,094,990**
ASSETS			
Cash and balances with Reserve Bank of India	6	146,273,990	149,910,945
Balances with banks and money at call and short notice	7	126,527,699	59,466,318
Investments	8	1,116,135,953	974,829,094
Advances	9	2,397,206,432	1,954,200,292
Fixed assets	10	27,030,813	23,471,940
Other assets	11	190,144,086	217,216,401
Total		**4,003,318,973**	**3,379,094,990**
Contingent liabilities	12	7,201,224,293	8,652,928,262
Bills for collection		261,039,630	186,924,956
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 **B S R & Co.**

Chartered Accountants
Firm's Registration No.: 101248W

N Sampath Ganesh
Partner

Membership No.: 042554

For and on behalf of the Board

C. M. Vasudev
Chairman

Aditya Puri
Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Harish Engineer
Executive Director

Paresh Sukthankar
Executive Director

A. N. Roy
Bobby Parikh

Keki Mistry
Partho Datta

Renu Karnad

Vijay Merchant
Directors

Mumbai , April 23, 2013

Statement of Profit and Loss for the year ended March 31, 2013

₹ '000s

	Schedule	Year Ended 31-Mar-13	Year Ended 31-Mar-12
I. INCOME			
Interest earned	13	350,648,736	278,741,928
Other income	14	68,526,226	57,836,255
Total		**419,174,962**	**336,578,183**
II. EXPENDITURE			
Interest expended	15	192,537,521	149,895,780
Operating expenses	16	112,361,165	92,776,403
Provisions and contingencies		47,013,428	42,235,093
Total		**351,912,114**	**284,907,276**
III. NET PROFIT			
Net profit for the year		67,262,848	51,670,907
Balance in Profit and Loss account brought forward		83,996,470	61,742,416
Total		**151,259,318**	**113,413,323**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		16,815,712	12,917,726
Proposed dividend		13,090,810	10,090,760
Tax (including cess) on dividend		2,224,783	1,636,973
Dividend (including tax/cess thereon) pertaining to previous year paid during the year		44,748	21,240
Transfer to General Reserve		6,726,285	5,167,091
Transfer to Capital Reserve		858,498	-
Transfer to/(from) Investment Reserve Account		176,636	(416,937)
Balance carried over to Balance Sheet		111,321,846	83,996,470
Total		**151,259,318**	**113,413,323**
V. EARNINGS PER EQUITY SHARE (Face value ₹ 2 per share)		₹	₹
Basic		28.49	22.11
Diluted		28.18	21.91
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 **B S R & Co.**

Chartered Accountants
Firm's Registration No.: 101248W

N Sampath Ganesh
Partner

Membership No.: 042554
Mumbai , April 23, 2013

For and on behalf of the Board

C. M. Vasudev
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A. N. Roy
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Keki Mistry
Partho Datta
Renu Karnad
Vijay Merchant
Directors

Cash Flow Statement for the year ended March 31, 2013

₹ '000s

Particulars	Year Ended 31-Mar-13	Year Ended 31-Mar-12
Cash flows from operating activities		
Net profit before income tax	**97,506,268**	**75,131,659**
Adjustments for:		
Depreciation on fixed assets	6,516,663	5,425,150
(Profit) / Loss on revaluation of investments	(348,627)	897,174
Amortisation of premia on Held to Maturity investments	582,183	783,012
(Profit) / Loss on sale of fixed assets	10,566	(15,132)
Provision/Charge for Non Performing Assets	13,131,395	11,549,076
Provision/Charge for Diminution in value of Investment	522,145	934,030
Floating Provisions	4,000,000	7,000,000
Provision for standard assets	1,237,140	1,504,993
Provision for wealth tax	6,000	5,500
Contingency provisions	(1,337,374)	(1,587,844)
	121,826,360	**101,627,618**
Adjustments for :		
(Increase) / Decrease in Investments	(142,070,919)	(268,052,486)
(Increase) / Decrease in Advances	(455,574,678)	(365,964,021)
Increase / (Decrease) in Deposits	495,405,387	381,200,405
(Increase) / Decrease in Other assets	33,698,441	(67,229,825)
Increase / (Decrease) in Other liabilities and provisions	(34,603,665)	75,079,689
	18,680,926	**(143,338,620)**
Direct taxes paid (net of refunds)	(37,368,738)	(27,615,921)
Net cash flow from operating activities	**(18,687,812)**	**(170,954,541)**
Cash flows from investing activities		
Purchase of fixed assets	(8,631,976)	(6,817,318)
Proceeds from sale of fixed assets	43,136	45,952
Investment in subsidiaries and/or joint ventures	-	(97,168)
Net cash used in investing activities	**(8,588,839)**	**(6,868,534)**
Cash flows from financing activities		
Money received on exercise of stock options by employees	11,171,000	5,306,601
Increase / (Decrease) in Borrowings (excluding Subordinate debt, Perpetual debt and Upper Tier II instruments)	36,789,886	57,398,476
Proceeds from issue of Upper & Lower Tier II capital Instruments	54,470,000	36,500,000
Redemption of subordinated debt	-	(2,000)
Dividend paid during the year	(10,130,544)	(7,695,463)
Tax on Dividend	(1,641,937)	(1,247,276)
Net cash generated from financing activities	**90,658,405**	**90,260,338**
Effect of Exchange Fluctuation on Translation reserve	**42,672**	**251,651**
Net Increase / (Decrease) in cash and cash equivalents	**63,424,426**	**(87,311,086)**
Cash and cash equivalents as at April 1st	**209,377,263**	**296,688,349**
Cash and cash equivalents as at March 31st	**272,801,689**	**209,377,263**

As per our report of even date.

For **B S R & Co.**

Chartered Accountants
Firm's Registration No.: 101248W

N Sampath Ganesh
Partner

Membership No.: 042554
Mumbai , April 23, 2013

For and on behalf of the Board

C. M. Vasudev
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Keki Mistry
Partho Datta

Renu Karnad

Vijay Merchant
Directors

Schedules to the financial statements

SCHEDULE 1 – CAPITAL

₹ '000s

	As at 31-Mar-13	As at 31-Mar-12
Authorised Capital	5,500,000	5,500,000
2,75,00,00,000 (31 March, 2013 : 2,75,00,00,000) Equity Shares of ₹ 2/- each		
Issued, Subscribed and Paid-up Capital	4,758,838	4,693,377
2,37,94,19,030 (31 March, 2012 : 2,34,66,88,270) Equity Shares of ₹ 2/- each		
Total	**4,758,838**	**4,693,377**

SCHEDULE 2 - RESERVES AND SURPLUS

₹ '000s

	As at 31-Mar-13	As at 31-Mar-12
I. Statutory reserve		
Opening balance	53,092,771	40,175,045
Additions during the year	16,815,712	12,917,726
Total	**69,908,483**	**53,092,771**
II. General reserve		
Opening balance	19,402,716	14,235,625
Additions during the year	6,726,285	5,167,091
Total	**26,129,001**	**19,402,716**
III. Balance in profit and loss account	**111,321,846**	**83,996,470**
IV. Share premium account		
Opening balance	124,261,852	118,996,370
Additions during the year	10,887,109	5,265,482
Total	**135,148,961**	**124,261,852**
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	2,954,677	2,954,677
Additions during the year	858,498	-
Total	**3,813,175**	**2,954,677**
VII. Investment reserve account		
Opening balance	-	416,937
Additions during the year	231,802	178
Deductions during the year	(55,166)	(417,115)
Total	**176,636**	**-**
VIII. Foreign currency translation account		
Opening balance	206,308	(45,343)
Additions during the year	42,672	251,651
Total	**248,980**	**206,308**
Total	**357,382,646**	**294,550,358**

SCHEDULE 3 – DEPOSITS

₹ '000s

	As at 31-Mar-13	As at 31-Mar-12
A. I Demand deposits		

	As at 31-Mar-13	As at 31-Mar-12
(i) From banks	10,385,135	9,122,028
(ii) From others	512,717,671	444,956,398
Total	**523,102,806**	**454,078,426**
II Savings bank deposits	882,112,454	739,980,381
III Term deposits		
(i) From banks	14,278,854	13,839,859
(ii) From others	1,542,975,732	1,259,165,793
Total	**1,557,254,586**	**1,273,005,652**
Total	**2,962,469,846**	**2,467,064,459**
B. I. Deposits of branches in India	2,946,407,245	2,457,706,643
II. Deposits of branches outside India	16,062,601	9,357,816
Total	**2,962,469,846**	**2,467,064,459**

SCHEDULE 4 – BORROWINGS

₹ '000s

	As at 31-Mar-13	As at 31-Mar-12
I. Borrowings in India		
(i) Reserve Bank of India	2,750,000	400,000
(ii) Other banks	7,246,758	8,693,256
(iii) Other institutions and agencies	24,390,200	28,182,425
(iv) Upper and lower Tier II capital and innovative perpetual debts	160,439,000	105,969,000
Total	**194,825,958**	**143,244,681**
II. Borrowings outside India*	135,240,014	95,220,405
Total	**330,065,972**	**238,465,086**

**Includes Upper Tier II debt of ₹ 542.85 Crores (previous year : ₹508.75 Crores)*

Secured borrowings included in I & II above: ₹ Nil (previous year: ₹Nil)

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

₹ '000s

	As at 31-Mar-13	As at 31-Mar-12
I. Bills payable	54,787,708	54,657,302
II. Interest accrued	62,714,315	52,070,840
III. Others *(including provisions)*	205,466,652	246,754,935
IV. Contingent provisions against standard assets	10,357,403	9,107,880
V. Proposed dividend *(including tax on dividend)*	15,315,593	11,727,733
Total	**348,641,671**	**374,318,690**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

₹ '000s

	As at 31-Mar-13	As at 31-Mar-12
I. Cash in hand *(including foreign currency notes)*	50,077,236	43,069,643
II. Balances with Reserve Bank of India :		
(a) In current accounts	94,196,754	104,841,302
(b) In other accounts	2,000,000	2,000,000
Total	**96,196,754**	**106,841,302**
Total	**146,273,990**	**149,910,945**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

₹ '000s

	As at 31-Mar-13	As at 31-Mar-12
I. **In India**		
(i) Balances with banks :		
(a) In current accounts	3,238,144	1,638,043
(b) In other deposit accounts	46,635,317	18,519,848
Total	**49,873,461**	**20,157,891**
(ii) Money at call and short notice :		
(a) With banks	17,850,000	2,700,000
(b) With other institutions	-	2,157,684
Total	**17,850,000**	**4,857,684**
Total	**67,723,461**	**25,015,575**
II. **Outside India**		
(i) In current accounts	5,876,363	1,534,618
(ii) In deposit accounts	8,142,750	4,070,000
(iii) Money at call and short notice	44,785,125	28,846,125
Total	**58,804,238**	**34,450,743**
Total	**126,527,699**	**59,466,318**

SCHEDULE 8 - INVESTMENTS

₹ '000s

	As at 31-Mar-13	As at 31-Mar-12
A. Investments in India in		
(i) Government securities	849,023,184	762,178,489
(ii) Other approved securities	-	4,919
(iii) Shares	1,244,692	836,086
(iv) Debentures and bonds	17,260,637	9,628,460
(v) Subsidiaries / joint ventures	7,548,159	7,548,159
(vi) Others (Units, CDs/CPs, PTCs, Security Receipts and NABARD Deposits)	236,028,115	194,626,948
Total	**1,111,104,787**	**974,823,061**
B. Investments outside India in		
Other investments		
(a) Shares	9,396	6,033
(b) Debentures and bonds	5,021,770	-
Total	**5,031,166**	**6,033**
Total	**1,116,135,953**	**974,829,094**
C. Investments		
(i) Gross value of investments		
(a) In India	1,113,472,422	977,092,379
(b) Outside India	5,031,166	6,033
Total	**1,118,503,588**	**977,098,412**
(ii) Provision for depreciation		
(a) In India	2,367,635	2,269,318
(b) Outside India	-	-
Total	**2,367,635**	**2,269,318**
(iii) Net value of investments		
(a) In India	1,111,104,787	974,823,061
(b) Outside India	5,031,166	6,033
Total	**1,116,135,953**	**974,829,094**

SCHEDULE 9 - ADVANCES

₹ '000s

	As at 31-Mar-13	As at 31-Mar-12
A (i) Bills purchased and discounted	123,219,205	122,124,431
(ii) Cash credits, overdrafts and loans repayable on demand	945,869,566	686,271,861
(iii) Term loans	1,328,117,661	1,145,804,000
Total	**2,397,206,432**	**1,954,200,292**
Loans with tenor of less than one year are classified under A (ii) above.		
B (i) Secured by tangible assets*	1,766,063,990	1,420,597,632
(ii) Covered by bank / government guarantees	61,551,311	55,552,871
(iii) Unsecured	569,591,131	478,049,789
Total	**2,397,206,432**	**1,954,200,292**
* *Including advances against book debts*		
C. I. Advances in India		
(i) Priority sector	767,430,252	638,630,006
(ii) Public sector	84,217,368	70,538,519
(iii) Banks	917,007	3,714,239
(iv) Others	1,448,683,315	1,182,101,828
Total	**2,301,247,942**	**1,894,984,592**
C.II. Advances outside India		
(i) Due from banks	18,469,102	18,418,646
(ii) Due from others		
(a) Bills purchased and discounted	409,362	35,333
(b) Syndicated loans	13,623,839	13,166,585
(c) Others	63,456,187	27,595,136
Total	**95,958,490**	**59,215,700**
Total	**2,397,206,432**	**1,954,200,292**
Advances are net of provisions		

SCHEDULE 10 - FIXED ASSETS

₹ **'000s**

	As at 31-Mar-13	As at 31-Mar-12
A. **Premises** *(including land)*		
Gross block		
At cost on 31 March of the preceding year	10,519,897	10,272,964
Additions during the year	1,140,440	264,145
Deductions during the year	(17,718)	(17,212)
Total	**11,642,619**	**10,519,897**
Depreciation		
As at 31 March of the preceding year	2,488,876	2,106,522
Charge for the year	443,998	394,965
On deductions during the year	(15,981)	(12,611)
Total	**2,916,893**	**2,488,876**
Net block	**8,725,726**	**8,031,021**
B. **Other fixed assets** *(including furniture and fixtures)*		
Gross block		
At cost on 31 March of the preceding year	44,235,581	37,622,202
Additions during the year	8,990,318	6,959,523
Deductions during the year	(760,921)	(346,144)
Total	**52,464,978**	**44,235,581**
Depreciation		
As at 31 March of the preceding year	28,794,662	24,082,164
Charge for the year	6,074,183	5,032,423
On deductions during the year	(708,954)	(319,925)
Total	**34,159,891**	**28,794,662**
Net block	**18,305,087**	**15,440,919**

	As at 31-Mar-13	As at 31-Mar-12
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	**27,030,813**	**23,471,940**

SCHEDULE 11 - OTHER ASSETS

₹ '000s

	As at 31-Mar-13	As at 31-Mar-12
I. Interest accrued	39,209,326	32,001,760
II. Advance tax/tax deducted at source (net of provisions)	15,789,085	12,091,296
III. Stationery and stamps	165,999	165,891
IV. Non banking assets acquired in satisfaction of claims	-	311
V. Bond and share application money pending allotment	29,333	-
VI. Security deposit for commercial and residential property	4,062,868	3,819,367
VII. Others*	130,887,475	169,137,776
Total	**190,144,086**	**217,216,401**

**Includes deferred tax asset (net) of ₹ 1,904.85 crores (previous year: ₹ 1448.89 crores)*

SCHEDULE 12 - CONTINGENT LIABILITIES

₹ '000s

	As at 31-Mar-13	As at 31-Mar-12
I. Claims against the bank not acknowledged as debts - taxation	9,349,100	13,567,900
II. Claims against the bank not acknowledged as debts - others	3,975,400	2,876,193
III. Liability on account of outstanding forward exchange contracts	4,467,860,687	5,648,764,494
IV. Liability on account of outstanding derivative contracts	2,292,213,027	2,626,390,521
V. Guarantees given on behalf of constituents		
- in India	162,354,571	133,170,215
- outside India	3,993,576	436,144
VI. Acceptances, endorsements and other obligations	220,595,426	209,182,124
VII. Other items for which the Bank is contingently liable	40,882,506	18,540,671
Total	**7,201,224,293**	**8,652,928,262**

SCHEDULE 13 - INTEREST EARNED

₹ '000s

	Year Ended 31-Mar-13	Year Ended 31-Mar-12
I. Interest/discount on advances / bills	268,223,935	211,244,420
II. Income from investments	78,202,586	65,045,894
III. Interest on balance with RBI and other inter-bank funds	2,816,311	1,371,409
IV Others	1,405,904	1,080,205
Total	**350,648,736**	**278,741,928**

SCHEDULE 14 - OTHER INCOME

₹ '000s

	Year Ended 31-Mar-13	Year Ended 31-Mar-12
I. Commission, exchange and brokerage	51,669,046	43,120,963
II. Profit / (loss) on sale of investments (net)	1,264,352	(1,061,596)
III. Profit / (loss) on revaluation of investments (net)	348,627	(897,174)
IV. Profit / (loss) on sale of building and other assets (net)	(10,566)	15,132
V. Profit/(loss) on exchange/derivative transactions (net)	12,317,708	12,653,760
VI. Income earned by way of dividends from subsidiaries /		
companies and /or joint ventures abroad / in India	7,693	11,655
VII. Miscellaneous income	2,929,366	3,993,515
Total	**68,526,226**	**57,836,255**

SCHEDULE 15 - INTEREST EXPENDED

₹ '000s

	Year Ended 31-Mar-13	Year Ended 31-Mar-12
I. Interest on deposits	163,206,243	126,896,720
II. Interest on RBI / inter-bank borrowings	28,889,728	22,528,622
III. Other interest	441,550	470,438
Total	**192,537,521**	**149,895,780**

SCHEDULE 16 - OPERATING EXPENSES

₹ '000s

	Year Ended 31-Mar-13	Year Ended 31-Mar-12
I. Payments to and provisions for employees	39,653,843	33,999,068
II. Rent, taxes and lighting	8,406,573	7,161,306
III. Printing and stationery	3,108,216	2,339,263
IV. Advertisement and publicity	1,841,294	1,524,816
V. Depreciation on bank's property	6,516,663	5,425,150
VI. Directors' fees, allowances and expenses	7,111	4,423
VII. Auditors' fees and expenses	14,612	11,725
VIII. Law charges	509,569	317,465
IX. Postage, telegram, telephone etc.	4,023,604	3,529,781
X. Repairs and maintenance	7,665,309	6,184,142
XI. Insurance	2,877,862	2,418,023
XII. Other expenditure*	37,736,509	29,861,241
Total	**112,361,165**	**92,776,403**

* Includes marketing expenses, professional fees, commission to sales agents, travel and hotel charges, entertainment, registrar and transfer agency fees and system management fees.

Schedule 17 - Significant Accounting Policies appended to and forming part of the Financial Statements for the year ended March 31, 2013

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 commercial banking and treasury operations. The Bank is governed by the Banking Regulation Act, 1949. The Bank has overseas branch operations in Bahrain and Hong Kong.

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 notified under the Companies Accounting Standard Rules, 2006 to the extent applicable 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.

Recording purchase and sale transactions in securities is done following ‘Settlement Date’ 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 the above categories are classified under AFS category.

Acquisition cost

In determining acquisition cost of an investment:

- Brokerage, Commission, etc. paid at the time of acquisition, are charged to revenue.
- Broken period interest on debt instruments is treated as a revenue item.
- Cost of investments is based on the weighted average cost method.

Disposal of investments

Profit / Loss on sale of investments under the aforesaid three categories is recognised in the Statement of Profit and Loss. 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 not recognised. 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, wherever linked to the YTM rates, 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. 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 is made thereon based on the RBI guidelines. The depreciation / provision is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Profit or Loss Account 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 as interest expense and revenue on reverse repo transactions is accounted 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 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 profit and loss and included under Provisions and Contingencies. Recoveries from bad debts written-off are recognized 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 at levels stipulated by RBI from time to time. Provision for standard assets held by the Bank is not reversed. 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 these regulatory requirements or provisions which are not made with respect to specific non-performing assets are categorised as floating provisions. Creation of further floating provisions is considered by the Bank up to a level approved by the Board of Directors. Floating provisions are not reversed by credit to Statement of Profit and Loss and can be used only for contingencies under extraordinary circumstances for making specific provisions towards impaired accounts after obtaining Board approval and with prior permission of RBI. 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, 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. 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 criteria and the minimum retention requirements 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 minimum holding period criteria and the minimum retention requirements ('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 at the end of every financial year. 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 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 rates of depreciation are not lower than the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation rates for certain key fixed assets are given below:

Asset	Depreciation Rate per annum
Owned Premises	1.63%
VSATs	10.00%
ATMs	10.00%
Office equipments	16.21%
Computers	33.33%
Motor cars	25.00%
Software and System development expenditure	20.00%
Assets at residences of executives of the Bank	25.00%

- Improvements to lease hold premises are charged off over the remaining primary period of lease.

- Items (excluding staff assets) costing less than ₹ 5,000 and point of sale terminals are fully depreciated in the year of purchase.
- All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956.
- For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Bank.
- The Bank undertakes assessment of the useful life of an asset at periodic intervals taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, etc. 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.

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 the disposal of the net investment in the non-integral foreign operations.

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 contracts for longer maturities i.e. greater than one year are revalued using MIFOR (Mumbai Interbank Forward Offer Rate) and contracts with USD-INR currency pair are valued using USD LIBOR (London Interbank Offered Rate) rates. For other currency pairs, the forward points (as published by FEDAI) are extrapolated. The resulting profit or loss on valuation 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.

Currency futures contracts are marked to market daily using settlement price on a trading day, which is the closing price of the respective futures contracts on that day. While the daily settlement price is computed 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 futures contract or as may be specified by the relevant authority from time to time. All open positions are marked to market based on the settlement price and the resultant marked to market profit / loss is daily settled with the exchange.

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 Pass Through Certificates ('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 fair market price of the underlying stock over the exercise price as determined under the option plan. The fair 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 is in the form of lump sum payment to vested 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. Vesting occurs upon completion of five years 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 (Revised 2005), 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 Managing Director, Executive 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 ₹ 6,500/- 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 (revised 2005), 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 Actuary Society of India and provision towards this liability is made.

The overseas branches of the Bank make contributions 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 have 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 the said reward points are made based on the actuarial valuation report as furnished by the said independent actuary.

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 quoted by supplier is also reflected under commission income.

The Bank also borrows and lends gold, which is treated as borrowing / lending as the case may be with the interest paid / received classified as interest expense / income.

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 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 and the rules framed there under) and the net change in the deferred tax asset or liability in 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. Segment Information - Basis of preparation

The disclosure relating to segmental classification conforms to the guidelines issued by RBI. 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 with the help of specialist product groups to such customers. 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.

16. 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. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

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

17. 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.

Schedule 18-Notes forming part of the Financial Statements for the year ended March 31, 2013

Amounts in Notes forming part of the Financial Statements for the year ended March 31, 2013 are denominated in Rupee crore to conform to extant RBI guidelines.

1. Sub-division of equity shares

The shareholders of the Bank at the 17th Annual General Meeting held on July 6, 2011 approved sub-division (split) of one equity share of the Bank from nominal value of ₹ 10/- each into five equity shares of nominal value of ₹ 2/- each.

2. Change in Classification

- As per market practice, the Bank pays commission to sales agents and also receives front ended subventions/commission/fees from dealers and manufacturers for originating retail asset products. The net commission paid is expensed in the year in which it is incurred. Pursuant to RBI's instructions vide its letter dated March 22, 2013, the Bank has effective year ended March 31, 2013, classified the net commission as follows:

  - Commission paid to sales agents for originating fixed tenor retail loans is classified under Operating Expenses and subvention received from dealers and manufacturers is classified under Other Income.

  - The net commission paid was hitherto reduced from Interest Income. Accordingly, ₹ 738.58 crore (previous year: ₹ 624.44 crore) of commission paid to sales agent is included under Operating Expenses and ₹ 48.42 crore (previous year: ₹ 36.60 crore) of subvention received from dealers and manufacturers is included under Other Income. Figures for the previous year have accordingly been regrouped/ reclassified to conform to current year's classification. The above change in classification has no impact on the profit and loss of the Bank for the years ended March 31, 2013 and March 31, 2012.

The Bank recognizes in the Statement of Profit and Loss Account, provision for NPAs, direct charge offs, write back of provision for NPAs and recoveries from written off accounts. Pursuant to RBI's instructions vide its letter dated March 22, 2013, the Bank has, effective year ended March 31, 2013, classified the recoveries from written off accounts under Other Income and the direct charge offs under Operating Expenses. These were hitherto included in the specific loan loss charge under Provisions and Contingencies. Accordingly, ₹ 496.54 crore (previous year: ₹ 503.33 crore) of recoveries from written-off accounts are included under Other Income and ₹ 78.93 crore (previous year: ₹ 63.14 crore) of direct charge offs are included under Operating Expenses. Figures for the previous year have accordingly been regrouped/ reclassified to conform to current year's classification. The above change in classification has no impact on the profit and loss of the Bank for the years ended March 31, 2013 and March 31, 2012.

3. Capital adequacy

The Bank's Capital to Risk-weighted Asset Ratio ('Capital Adequacy Ratio') is calculated in accordance with the RBI's 'Prudential Guidelines on Capital Adequacy and Market Discipline - Implementation of the New Capital Adequacy Framework' ('Basel II'). Under the Basel II framework, the Bank is required to maintain a minimum capital adequacy ratio of 9% on an on going basis for credit risk, market risk and operational risk, with a minimum Tier I capital ratio of 6%. Further, the minimum capital maintained by the Bank as on March 31, 2013 is subject to a prudential floor, which is the higher of the following amounts:

a) Minimum capital required as per the Basel II framework.

b) 80% of the minimum capital required to be maintained under the Basel I framework.

The Bank's capital adequacy ratio, calculated in accordance with the RBI guidelines under both Basel I and Basel II frameworks, is as follows:

Amounts in (₹) crore

Particulars	**As per Basel I framework**		As per Basel II framework	
	March 31, 2013	**March 31, 2012**	**March 31, 2013**	**March 31, 2012**
Tier I capital	33,928.20	28,113.56	33,881.13	28,067.49
Tier II capital	17,519.23	11,898.97	17,519.23	11,898.97
Total capital	51,447.43	40,012.53	51,400.36	39,966.46
Total Risk weighted assets	322,725.15	254,764.29	305,878.89	241,896.32
Minimum capital required	29,045.26	22,928.79	27,529.10	21,770.67
Capital adequacy ratios				
Tier I	10.51%	11.04%	11.08%	11.60%
Tier II	5.43%	4.67%	5.72%	4.92%
Total	15.94%	15.71%	16.80%	16.52%

The Bank's capital funds as on March 31, 2013 are higher than the minimum required under the Basel I and Basel II framework.

The difference between risk weighted assets under the Basel I and Basel II framework is a net impact of the following key changes:

- Under the Basel II framework, risk weights are applicable to claims on corporates corresponding to their external rating or in the absence of it ranging from 20% to 150%, compared to a uniform 100% under Basel I.

- Exposures qualifying for inclusion in the regulatory retail portfolio under Basel II framework attract a risk weight of 75% as against 100% under Basel I.

- The Basel II framework recognises risk mitigation techniques in the form of eligible financial collaterals such as cash margins, deposits, bonds, gold, debt mutual funds, etc., whilst under Basel I only cash margins and deposits are considered as eligible financial collateral.

- Restructured assets attract a risk weight of 125% under the Basel II framework compared to 100% under Basel I.

- Operational risk is subject to a capital charge under the Basel II framework.

- Under the Basel II framework, capital is subjected to a charge for valuation adjustment for illiquid position of derivative and non-derivative portfolio.

Details of innovative perpetual debt instruments and upper and lower Tier II instruments issued during the year are given below:

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
(I) Amount raised by issue of Innovative Perpetual Debt Instruments (IPDI) during the year	-	-
(II) Amount raised by issue of upper Tier II instruments during the year	-	-
(III) Amount raised by issue of lower Tier II instruments during the year	5,447.00	3,650.00

Subordinated debt (lower Tier II capital), upper Tier II capital and innovative perpetual debt instruments outstanding as at March 31, 2013 are ₹ 12,428.00 crore (previous year: ₹ 6,981.00 crore), ₹ 3,958.75 crore (previous year: ₹ 3,924.65 crore) and ₹ 200.00 crore (previous year: ₹ 200.00 crore) respectively.

The details of the bonds issued during the year ended March 31, 2013 are given below:

Particulars	Date of allotment	Coupon rate (%)	Tenure	Amount (₹crore)
Lower Tier II bonds	August 13, 2012	9.45	15 years[1]	3,477.00
Lower Tier II bonds	October 31, 2012	8.95	10 years[2]	565.00
Lower Tier II bonds	December 28, 2012	9.10	10 years[3]	1,405.00

[1]*Call option exercisable on August 13, 2022 at par with the prior approval of RBI.*

[2]*Call option exercisable on October 31, 2017 at par with the prior approval of RBI.*

[3]*Call option exercisable on December 28, 2017 at par with the prior approval of RBI.*

The details of the bonds issued during the year ended March 31, 2012 are given below:

Particulars	Date of allotment	Coupon rate (%)	Tenure	Amount (₹ crore)
Lower Tier II bonds	May 12, 2011	9.48	15 Years[1]	3,650.00

[1]*Call option exercisable on May 12, 2021 at par with the prior approval of RBI.*

Based on the balance term to maturity as at March 31, 2013, 93% (previous year: 93%) of the book value of subordinated debt (lower Tier II capital) and upper Tier II capital is considered as Tier II capital for the purpose of capital adequacy computation.

Reconciliation of accounting capital and regulatory capital under Basel II, as on 31 March, 2013:

(₹) in crore

Particulars		March 31, 2013	March 31, 2012
(h)	Subscribed capital	475.88	469.34
(i)	Reserves and surplus	35,738.26	29,455.04
(j)	**Accounting capital (a+b)**	**36,214.14**	**29,924.38**
(k)	Innovative perpetual debt	200.00	200.00
(l)	Adjustments:		
- Deferred tax asset		(1,904.85)	(1,448.89)

Particulars	March 31, 2013	March 31, 2012
- Securitisation exposures (50% from Tier I)	(176.74)	(179.49)
- Investment in subsidiaries (50% from Tier I)	(361.81)	(361.81)
- Valuation adjustment for illiquid positions	(47.07)	(46.07)
- Others	(42.54)	(20.63)
Total adjustments	**(2,533.01)**	**(2,056.89)**
(m) Total Tier I capital (c+d+e)	33,881.13	28,067.49
(n) Total Tier II capital	17,519.23	11,898.97
Total regulatory capital under Basel II (f+g)	**51,400.36**	**39,966.46**

4. Earnings per equity share

Basic and diluted earnings per equity share have been calculated based on the net profit after taxation of ₹ 6,726.28 crore (previous year: ₹ 5,167.09 crore) and the weighted average number of equity shares outstanding during the year of 2,360,960,867 (previous year: 2,336,704,062).

Following is the reconciliation between basic and diluted earnings per equity share:

Particulars	For the years ended (₹)	
	March 31, 2013	March 31, 2012
Nominal value per share	2.00	2.00
Basic earnings per share	28.49	22.11
Effect of potential equity shares (per share)	(0.31)	(0.20)
Diluted earnings per share	28.18	21.91

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, 2013	March 31, 2012
Weighted average number of equity shares used in computing basic earnings per equity share	2,360,960,867	2,336,704,062
Effect of potential equity shares outstanding	26,076,830	21,625,067
Weighted average number of equity shares used in computing diluted earnings per equity share	2,387,037,697	2,358,329,129

5. Reserves and surplus

Draw down from reserves

There has been no draw down from reserves during the year ended March 31, 2013.

General reserve

The Bank has made an appropriation of ₹ 672.63crore (previous year: ₹ 516.71crore) out of profits for the year ended March 31, 2013 to General Reserve pursuant to Companies (Transfer of Profits to Reserves) Rules, 1975.

Investment reserve account

During the year ended March 31, 2013, the Bank has appropriated ₹ 17.66crore (net) from Profit and Loss Account to Investment Reserve Account. In the previous year, the Bank transferred ₹ 41.69crore (net) from Investment Reserve Account to Profit and Loss Account.

6 Accounting for employee share based payments

The shareholders of the Bank approved grant of equity share options under Plan "B" in June 2003, Plan "C" in June 2005, Plan "D" in June 2007 and Plan "E" in June 2010. Under the terms of each of these Plans, the Bank may issue Equity Stock Options ('ESOPs') to employees and 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.

Plans B, C, D and E provide for the issuance of options at the recommendation of the Compensation Committee at the closing price on the working day immediately preceding the date when options are granted. For Plan B the price is that quoted on an Indian stock exchange with the highest trading volume during the preceding two weeks, while for Plans C, D and E the price is that quoted 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 Compensation Committee. These options are exercisable on vesting, for a period as set forth by the Compensation Committee at the time of grant. The period in which options may be exercised cannot exceed five years. Modifications, if any, made to the terms and conditions of ESOPs as approved by the Compensation Committee are disclosed separately.

The erstwhile Centurion Bank of Punjab had granted stock options to its employees prior to its amalgamation with the Bank. The options were granted under the following Schemes framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time:

1. Key ESOP

2. General ESOP

The outstanding options granted under each of the above schemes and the grant prices were converted into equivalent HDFC Bank options and prices in the swap ratio of 1:29 i.e. 1 stock option of HDFC Bank for every 29 stock options granted and outstanding of eCBoP as on May 23, 2008, the effective date of the amalgamation, in accordance with Clause 9.9 of the scheme of amalgamation of eCBoP with the Bank. The vesting dates for the said stock options granted in various tranches were revised as per Clause 9.9 of the Scheme. All the aforesaid stock options are exercisable within a period of 5 years from the date of vesting. Key options were granted at an exercise price, which was less than the then fair market price of the shares. General options were granted at the fair market price. The fair market price was the latest available closing price, prior to the date of meeting of the Board of Directors in which options were granted or shares were issued, on the stock exchange on which the shares of the Bank were listed. If the shares were listed on more than one stock exchange, then the stock exchange where there was highest trading volume on the said date was considered.

Along with approving the sub-division of the Bank's equity shares, the shareholders at the AGM also approved the consequent adjustments to the stock options to employees under its various schemes such that all employee stock options available for grant (including lapsed and forfeited options available for reissue) and those already granted but not exercised as on record date were proportionately converted into options for shares of face value of ₹ 2/- each and the grant price of all the outstanding stock options (vested, unvested and unexercised options) on the record date was proportionately adjusted by dividing the existing grant price by 5. The record date for this purpose was fixed as July 16, 2011.

All the numbers in the tables appearing hereinafter pertaining to stock options are given post sub-division of shares as stated above.

Method used for accounting for shared based payment plan

The Bank has elected to use intrinsic value method to account for the compensation cost of stock options to employees and directors of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option.

Activity in the options outstanding under the Employee Stock Options Plan

- Activity in the options outstanding under the employee stock options plan as at March 31, 2013:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	99,872,740	389.52
Granted during the year	-	-
Exercised during the year*	33,459,050	333.87
Forfeited / lapsed during the year	970,645	433.59
Options outstanding, end of year	65,443,045	417.32
Options exercisable	56,752,845	409.46

**includes 728,290 options exercised, pending allotment of equity shares as of March 31, 2013*

- Activity in the options outstanding under the employee stock options plan as at March 31, 2012:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	85,924,615	325.27
Granted during the year	35,603,250	468.67
Exercised during the year	20,559,850	257.91
Forfeited / lapsed during the year	1,095,275	381.23
Options outstanding, end of year	99,872,740	389.52
Options exercisable	56,415,090	332.53

- Following table summarises the information about stock options outstanding as at March 31, 2013:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan B	198.97 to 219.74	614,500	0.53	203.50
Plan C	198.97 to 219.74	705,400	0.44	208.12
Plan D	219.74 to 340.96	12,058,100	1.39	285.60
Plan E	440.16 to 508.23	51,175,300	3.65	457.40
Key ESOP	-	-	-	-
General ESOP	107.30 to 251.72	889,745	1.09	210.75

- Following table summarises the information about stock options outstanding as at March 31, 2012:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan B	71.72 to 219.74	1,950,300	1.16	207.68
Plan C	126.12 to 219.74	3,421,500	0.93	191.41
Plan D	219.74 to 340.96	26,489,250	2.12	276.03
Plan E	440.16 to 508.23	66,270,250	4.55	455.47
Key ESOP	23.20	33,595	1.04	23.20
General ESOP	88.45 to 251.72	1,707,845	1.88	202.65

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 options were granted during the year ended March 31, 2013. The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2012 were:

Particulars	March 31, 2012
Dividend yield	0.65% to 0.70%
Expected volatility	29.35%

Risk-free interest rate	8.04% to 8.22%
Expected life of the option	1 to 6 years

Impact of fair value method on net profit and earnings per share

Had the compensation cost for the Bank's stock option plans outstanding 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:

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Net profit (as reported)	6,726.28	5,167.09
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method (proforma)	431.62	377.83
Net profit (proforma)	6,294.66	4,789.26
	(₹)	**(₹)**
Basic earnings per share (as reported)	28.49	22.11
Basic earnings per share (proforma)	26.66	20.50
Diluted earnings per share (as reported)	28.18	21.91
Diluted earnings per share (proforma)	26.37	20.31

7. Other liabilities

- The Bank held contingent provisions towards standard assets amounting to ₹ 1,035.74 crore as on March 31, 2013 (previous year: ₹ 910.79 crore). These are included under Other Liabilities.

  In line with RBI guidelines, provision for standard assets is made @ 0.40% except for direct advances to agriculture and small and micro enterprises (SMEs) sectors where provision is made @ 0.25%, for advances to commercial real estate sector where provision is made @ 1%, for restructured standard advances where provision is made @ 2.75% for a prescribed number of years from the date of restructuring or upgradation as the case may be, and for housing loans offered at a comparatively lower rate of interest in the first few years after which rates are reset at higher rates, where provision is made @ 2%until after one year from the date on which the rates are reset at higher rates. 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, 2013 include unrealised loss on foreign exchange and derivative contracts of ₹ 7,036.66 crore (previous year: ₹ 12,735.50 crore).

- Other liabilities include share application monies of ₹ 22.15 crore as on March 31, 2013 (previous year: Nil), received on exercise of employee stock options pending allotment of equity shares. These shares were subsequently allotted on April 4, 2013.

8. Investments

- **Value of investments**

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Gross value of investments		
- In India	111,347.24	97,709.24
- Outside India	503.12	0.60
Provisions for depreciation on investments		
- In India	236.76	226.93
- Outside India	-	-

Net value of investments		
- In India	111,110.48	97,482.31
- Outside India	503.12	0.60

- **Movement in provisions held towards depreciation on investments**

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Opening balance	226.93	42.46
Add: Provision made during the year	103.96	184.51
Less: Write-off, write back of excess provision during the year	94.13	0.04
Closing balance	236.76	226.93

- **Repo transactions**

In accordance with RBI's guidelines, accounting of repo/reverse repo transactions excludes those done with the RBI. Following are the details repo/reverse repo transactions deals done during the years ended March 31, 2013 and March 31, 2012:

- Details of repo/reverse repo deals (in face value terms) done during the year ended March 31, 2013:

(₹) in crore

Particulars		Minimum Outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2013
Securities sold under repo					
3.	Corporate debt securities	-	-	-	-
4.	Government securities	-	182.25	2.51	-
Securities purchased under reverse repo					
3.	Corporate debt securities	-	110.80	20.47	-
4.	Government securities	-	790.00	161.66	-

- Details of repo / reverse repo deals (in face value terms) done during the year ended March 31, 2012:

(₹) in crore

Particulars		Minimum Outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2012
Securities sold under repo					
1.	Corporate debt securities	-	-	-	-
2.	Government securities	-	9,800.00	454.36	-
Securities purchased under reverse repo					
1.	Corporate debt securities	-	115.80	13.55	110.80
2.	Government securities	-	524.00	65.16	-

- Outstanding repo and reverse repo deals with RBI under liquidity adjustment facility/marginal standing facility as of March 31, 2013 were ₹ 20,995.41 crore (previous year: ₹ 7,338.76 crore) and ₹ 7,035.00 crore (previous year: ₹ 2,100.00 crore) respectively.

- **Non-SLR investment portfolio**

- Issuer-wise composition of non-SLR investments as at March 31, 2013

(₹) in 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	151.63	100.00	-	-	-
2.	Financial institutions	14,930.57	14,580.80	-	-	-
3.	Banks	1,958.06	1,721.20	-	-	-
4.	Private corporate	5,676.24	5,153.87	-	194.52	212.80
5.	Subsidiaries /Joint ventures	754.82	754.82	-	-	-
6.	Others	3,472.24	775.16	-	-	-
7.	Provision held towards depreciation	(232.28)				
	Total	**26,711.28**	**23,085.85**	**-**	**194.52**	**212.80**

#Amounts reported under these columns above are not mutually exclusive.

** Excludes equity shares, units of mutual funds, Rural Infrastructure Development Fund ('RIDF'), Priority Sector Lending ('PSL') and Weaker Section Lending ('WSL') in line with extant RBI guidelines.*

*** Excludes equity shares, units of 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, 2012**

(₹) in 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	75.00	75.00	-	-	75.00
2.	Financial institutions	12,800.56	12,784.57	-	-	-
3.	Banks	4,384.09	3,048.09	-	-	-
4.	Private corporate	2,060.34	1,885.68	-	142.49	555.75
5.	Subsidiaries / Joint ventures	754.82	754.82	-	-	-
6.	Others	1,370.94	374.88	-	-	-
7.	Provision held towards depreciation	(181.18)				
	Total	**21,264.57**	**18,923.04**	**-**	**142.49**	**630.75**

#Amounts reported under these columns above are not mutually exclusive.

** Excludes equity shares, units of mutual funds, Rural Infrastructure Development Fund ('RIDF'), Priority Sector Lending ('PSL') and Weaker Section Lending ('WSL') in line with extant RBI guidelines.*

*** Excludes equity shares, units of mutual funds, pass through certificates, security receipts, commercial paper and certificate of deposits in line with extant RBI guidelines.*

- Non-performing non-SLR investments

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Opening balance	112.39	17.87
Additions during the year	97.95	94.52
Reductions during the year	48.38	-
Closing balance	161.96	112.39
Total provisions held	**156.78**	**112.09**

- **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:

(₹) in crore

Particulars	As at March 31, 2013				As at March 31, 2012			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government securities	12,905.84	18,277.50	53,718.98	84,902.32	6,885.52	22,417.47	46,914.86	76,217.85
Other approved securities	-	-	-	-	-	0.49	-	0.49
Shares	-	125.41	-	125.41	-	84.21	-	84.21
Debentures and bonds	1,206.73	1,021.51	-	2,228.24	442.81	520.04	-	962.85
Subsidiary / Joint ventures	-	-	754.82	754.82	-	-	754.82	754.82
Others	1,175.29	8,156.72	14,270.80	23,602.81	1,954.96	4,753.16	12,754.57	19,462.69
Total	**15,287.86**	**27,581.14**	**68,744.60**	**111,613.60**	**9,283.29**	**27,775.37**	**60,424.25**	**97,482.91**

- Details of other investments as at the Balance Sheet date is given below:

(₹) in crore

Other Investments	March 31, 2013	March 31, 2012
Certificate of deposits	1,862.02	4,382.09
Commercial paper	4,095.66	1,039.11
Debt oriented mutual fund units	2,613.96	897.28
Pass through certificates	711.20	338.86
Security receipts issued by reconstruction companies	49.17	50.78
Deposits with NABARD	10,677.19	9,115.48
Deposits with SIDBI and National Housing Bank under the priority/ weaker sector lending schemes	3,593.61	3,639.09
Total other investments	**23,602.81**	**19,462.69**

- Investments include securities of Face Value (FV) aggregating ₹ 1,745.00 crore (previous year: FV ₹ 1,345.00 crore) which are kept as margin for clearing of securities, of FV ₹ 12,100.00 crore (previous year: FV ₹ 5,732.27 crore) which are kept as margin for Collateralised Borrowing and Lending Obligation (CBLO) and of FV aggregating ₹ 40.00 crore (previous year: FV ` 65.00 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 ₹ 6.00crore (previous year: FV ₹ 6.00 crore) which are kept as margin with National Securities Clearing Corporation of India Ltd. ('NSCCIL'), of FV aggregating ₹ 5.00 crore (previous year: FV ₹ 5.00 crore) which are kept as margin with MCX - SX Clearing Corporation Ltd. And of FV aggregating ₹ 0.30 crore (previous year: FV ₹ 0.30 crore) which are kept as margin with United Stock Exchange for transacting in the currency derivative segment.

- Investments having FV aggregating ₹ 29,376.69 crore (previous year: FV ₹ 25,631.20 crore) are kept as margin towards Real Time Gross Settlement (RTGS) and those having FV aggregating ₹ 38,188.32 crore (previous year: ₹ 22,698.32 crore) are kept as margin towards liquidity adjustment facility 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 these investments as joint ventures.

- During financial year ended March 31, 2013, there has been no sale from, and transfer to / from, HTM category in excess of 5% of the book value of investments held in HTM category at the beginning of the year. In accordance with the RBI guidelines, this 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; and
- sales to the RBI under pre-announced open market operation auctions.

9. Derivatives

- **Forward rate agreements (FRAs) / Interest rate swaps (IRS)**

Amounts in (₹) crore

S. No.	Particulars	March 31, 2013	March 31, 2012
i)	The total notional principal of swap agreements	207,507.18	
ii)	Total losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	599.87	1,178.29
iii)	Concentration of credit risk arising from swaps*	79.90%	77.24%
iv)	Collateral required by the Bank upon entering into Swaps	-	-
v)	The fair value of the swap book	(183.28)	(57.09)

**Concentration of credit risk arising from swaps is with banks as on March 31, 2013 and March 31, 2012.*

The nature and terms of Rupee IRS as on March 31, 2013 are set out below:

Nature	Nos.	Notional principal (₹ in crore)	Benchmark	Terms
Trading	21	702.00	INBMK	Fixed receivable v/s Floating payable
Trading	20	877.00	INBMK	Floating receivable v/s Fixed payable
Trading	4	1,250.00	INCMT	Floating receivable v/s Fixed payable
Trading	1	50.00	FIX TO FIX	Fixed receivable v/s Fixed payable
Trading	1,093	89,761.10	OIS	Fixed receivable v/s Floating payable
Trading	1,063	80,409.40	OIS	Floating receivable v/s Fixed payable
Trading	255	13,454.00	MIFOR	Fixed receivable v/s Floating payable
Trading	164	8,063.00	MIFOR	Floating receivable v/s Fixed payable
Trading	16	400.00	MIOIS	Floating receivable v/s Fixed payable
		194,966.50		

The nature and terms of foreign currency IRS as on March 31, 2013 are set out below:

Nature	Nos.	Notional principal (₹ in crore)	Benchmark	Terms
Trading	1	14.29	JPY Libor	Fixed receivable v/s Floating payable
Trading	1	14.29	JPY Libor	Floating receivable v/s Fixed payable
Trading	40	1,806.76	USD Libor	Fixed receivable v/s Floating payable
Trading	124	7,991.09	USD Libor	Floating receivable v/s Fixed payable
Hedging	3	2,714.25	USD Libor	Fixed receivable v/s Floating payable
		12,540.68		

The nature and terms of Rupee IRS as on March 31, 2012 are set out below:

Nature	Nos.	Notional principal (₹ in crore)	Benchmark	Terms

Nature	Nos.	Notional principal (₹ in crore)	Benchmark	Terms
Trading	25	860.00	INBMK	Fixed receivable v/s Floating payable
Trading	25	1,085.00	INBMK	Floating receivable v/s Fixed payable
Trading	4	1,250.00	INCMT	Floating receivable v/s Fixed payable
Trading	1	50.00	FIX TO FIX	Fixed receivable v/s Fixed payable
Trading	1400	104,384.88	OIS	Fixed receivable v/s Floating payable
Trading	1415	99,618.45	OIS	Floating receivable v/s Fixed payable
Trading	280	12,122.00	MIFOR	Fixed receivable v/s Floating payable
Trading	191	7,287.00	MIFOR	Floating receivable v/s Fixed payable
Trading	10	250.00	MIOIS	Floating receivable v/s Fixed payable
		226,907.33		

The nature and terms of foreign currency IRS as on March 31, 2012 are set out below:

Nature	Nos.	Notional principal (₹ in crore)	Benchmark	Terms
Trading	1	17.57	JPY Libor	Fixed receivable v/s Floating payable
Trading	1	17.57	JPY Libor	Floating receivable v/s Fixed payable
Trading	34	1,174.42	USD Libor	Fixed receivable v/s Floating payable
Trading	128	6,836.84	USD Libor	Floating receivable v/s Fixed payable
Trading	4	279.82	Others	Floating receivable v/s Fixed payable
		8,326.22		

- **Exchange traded interest rate derivatives**

(₹) in crore

S. No.	Particulars	2013	2012
i)	The total notional principal amount of exchange traded interest rate derivatives undertaken during the year ended March 31, (instrument-wise): (a) 91 days Treasury bill	Nil	0.02
ii)	The total notional principal amount of exchange traded interest rate derivatives outstanding as of March 31,	Nil	Nil
iii)	The notional principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective', as of March 31,	Nil	Nil
iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not 'highly effective', as of March 31,	Nil	Nil

- **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.

Most of 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.

- **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 crystalised 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**

(₹) in crore

S. No.	Particulars	Currency derivatives		Interest rate derivatives	
		March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
1	Derivatives (notional principal amount)				
	a)Hedging	905.51	1,074.81	2,714.25	-
	b) Trading	20,265.76	26,330.70	205,335.78	235,233.55
2	Marked to Market Positions				
	a) Asset (+)	322.87	589.55	591.13	1,178.29
	b) Liability (-)	(256.21)	(413.58)	(788.17)	(1,235.38)
3	Credit Exposure	1,126.74	1,225.81	2,110.09	2,856.75
4	Likely Impact of one percentage change in interest rate (100*PV01)				
	a) On hedging derivatives	5.85	0.59	121.07	-
	b) On trading derivatives	11.32	13.85	118.57	120.18
5	Maximum of 100*PV01 observed during the year				
	a) On Hedging	5.96	0.76	135.11	0.83
	b) On Trading	16.89	15.64	159.58	151.46
6	Minimum of 100*PV01 observed during the year				
	a) On Hedging	0.09	0.18	-	-
	b) On Trading	6.44	12.42	91.16	119.66

- The notional principal amount of foreign exchange contracts classified as Hedging and Trading outstanding as on March 31, 2013 amounted to ₹ 787.13 (previous year: Nil) and ₹

445,998.94 crore (previous year: ₹ 564,876.45 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 options purchased and sold (including rupee options) 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 RBI-Basel II grid of credit conversion factors, which is applied on the basis of the residual maturity and the type of contract.

10. Asset quality

- **Movements in NPAs (funded)**

Amounts in (₹) crore

Particulars	March 31, 2013	March 31, 2012
(i) Net NPAs to Net Advances	0.20%	0.18%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	1,999.39	1,694.34
(b) Additions (fresh NPAs) during the year	1,859.24	1,574.90
(c) Reductions during the year:	1,523.99	1,269.85
- Upgradation	165.30	197.08
- Recoveries (excluding recoveries made from upgraded accounts)	206.74	131.45
- Write-offs	1,151.95	941.32
(d) Closing balance	2,334.64	1,999.39
(iii) Movement of Net NPAs		
(a) Opening balance	352.33	296.41
(b) Additions during the year	252.21	176.47
(c) Reductions during the year	135.59	120.55
(d) Closing balance	468.95	352.33
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	1,647.06	1,397.93
(b) Additions during the year	1,607.03	1,398.43
(c) Write-off	1,151.95	941.32
(d) Write-back of excess provisions	236.45	207.98
(e) Closing balance	1,865.69	1,647.06

NPAs include all assets that are classified as non-performing by the Bank.

- **Sector-wise NPAs**

Particulars	Percentage of NPAs to Total Advances in that sector (%)

	March 31, 2013	March 31, 2012
Agriculture and allied activities	0.90	0.92
Industry (Micro & small, Medium and Large)	1.04	1.30
Services	0.60	0.94
Personal Loans	0.62	0.52

- **Floating provisions**

Floating provisions of ₹ 1,835.03crore (previous year: ₹ 1,435.03 crore) have been included under "Other Liabilities". Movement in floating provision is given below:

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Opening Balance	1,435.03	735.03
Provisions made during the year	400.00	700.00
Draw down made during the year	-	-
Closing Balance	1,835.03	1,435.03

- **Disclosure on accounts subjected to restructuring** (as required by RBI guidelines under reference DBOD.BP.BC.No.80/21.04.132/2012-13 dated January 31, 2013)**:**

(₹) in crore, except numbers

S. No	Type of Restructuring		Under Corporate Debt Restructuring(CDR) Mechanism					Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
	Details																					
1	Restructured accounts as on April 1, 2012*	No. of borrowers#	5	6	6	1	17	-	-	-	-	-	4	1	3	-	8	9	7	9	1	25
		Amount outstanding	145.14	302.55	120.52	10.04	578.25	-	-	-	-	-	11.33	13.92	33.80	-	59.05	156.47	316.47	154.32	10.04	637.30
		Provision thereon	7.40	15.11	15.27	1.80	39.58	-	-	-	-	-	0.17	0.57	0.45	-	1.19	7.57	15.68	15.72	1.80	40.77
2	Fresh restructuring during the year	No. of borrowers	-	-	1	-	1	-	-	-	-	-	1	-	2	-	3	1	-	3	-	4
		Amount outstanding	-	-	34.67	-	34.67	-	-	-	-	-	2.20	-	17.84	-	20.04	2.20	-	52.51	-	54.71
		Provision thereon	-	-	0.23	-	0.23	-	-	-	-	-	-	-	0.05	-	0.05	-	-	0.28	-	0.28
3	Upgradations to restructured standard category during the year	No. of borrowers	1	-1	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-1	-	-	-
		Amount outstanding	+30.88	-30.88	-	-	-	-	-	-	-	-	-	-	-	-	-	+30.88	-30.88	-	-	-
		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	+1-5	+5	-	-	-	-	-	-	-	-	-	-1	+1	-	-1	-4	+4	+1	-
		Amount outstanding	-47.62	+47.62 -237.11	+237.11	-	-	-	-	-	-	-	-	-	-2.80	+2.80	-	-47.62	-189.49	+234.31	+2.80	-
		Provision thereon	-1.00	+1.00 -5.29	+5.29	-	-	-	-	-	-	-	-	-	-0.06	+0.06	-	-1.00	-4.29	+5.23	+0.06	-
6	Write-offs of restructured accounts during the year	No. of borrowers	-	-	1	-	1	-	-	-	-	-	-	1	-	-	1	-	1	1	-	2
		Amount outstanding	-	-	19.38	-	19.38	-	-	-	-	-	-	12.13	-	-	12.13	-	12.13	19.38	-	31.51
7	Restructured accounts as on March 31, 2013*	No. of borrowers	4	1	10	1	16	-	-	-	-	-	3	-	3	1	7	7	1	13	2	23
		Amount outstanding	73.48	47.62	356.97	13.92	491.99	-	-	-	-	-	7.63	-	25.70	2.80	36.13	81.11	47.62	382.67	16.72	528.12
		Provision thereon	1.00	1.00	15.31	0.96	18.27	-	-	-	-	-	0.13	-	0.23	0.06	0.42	1.13	1.00	15.54	1.02	18.69

**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.

[#] Particulars of accounts restructured include a borrower whose investment in preference shares is classified as substandard and other performing credit facilities granted to the said borrower are not treated as NPA in accordance with RBI guidelines.

- During the years ended March 31, 2013 and March 31, 2012, no assets were sold to securitisation/reconstruction companies (SC/RC) for asset reconstruction.
- During the years ended March 31, 2013 and March 31, 2012, there were no non-performing financial assets sold.
- During the years ended March 31, 2013 and March 31, 2012, there were no non-performing financial assets that were purchased by the Bank.

11. Details of exposures to real estate and capital market sectors, risk category-wise country 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.

(₹) in crore

Category	March 31, 2013	March 31, 2012
a) Direct exposure:	**25,241.74**	**20,720.10**
(i) Residential mortgages*	16,890.83	14,263.76
of which housing loans eligible for inclusion in priority sector advances	*15,831.70*	*12,843.01*
(ii) Commercial real estate	8,115.58	6,146.90
(iii) Investments in mortgage backed securities (MBS) and other securitised exposures:		
a. Residential	235.33	309.44
b. Commercial real estate	-	-
b) Indirect exposure:	**4,879.73**	**4,300.16**
Fund based and non-fund based exposures on National Housing Bank (NHB) and housing finance companies (HFCs)	4,879.73	4,300.16
Total exposure to real estate sector	**30,121.47**	**25,020.26**

* *includes loans purchased under the direct loan assignment route*

Of the above, exposure to real estate developers is 0.4% (previous year: 0.4%) of total advances.

- **Details of capital market exposure**

Exposure is higher of limits sanctioned or the amount outstanding as at the year end.

(₹) in crore

S. No.	Particulars	March 31, 2013	March 31, 2012
(i)	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	66.31	54.97
(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	145.34	104.27
(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	1,481.43	1,388.77
(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	36.09	78.41

S. No.	Particulars	March 31, 2013	March 31, 2012
	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		
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	4,655.73	4,671.30
(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	1,122.80	1,008.10
(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)	2.10	1.70
Total exposure to capital market		**7,509.80**	**7,307.52**

- **Details of risk category wise country exposure**

(₹) in crore

Risk Category	March 31, 2013		March 31, 2012	
	Exposure (Net)	Provision held	Exposure (Net)	Provision held
Insignificant	8,300.90	-	5,684.50	-
Low	4,141.05	-	3,537.80	-
Moderately low	2,131.08	-	400.12	-
Moderate	611.68	-	11.58	-
Moderately high	42.48	-	1.33	-
High	-	-	0.94	-
Very High	0.04	-	-	-
Total	**15,227.23**	**-**	**9,636.27**	**-**

- **Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the Bank**

During the years ended March 31, 2013 and March 31, 2012, the Bank's credit exposure to single borrowers and group borrowers were within the limits prescribed by 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 on March 31, 2013 (previous year: Nil).

- **Inter-bank Participation with risk sharing**

The aggregate amount of participation issued by the Bank, reduced from advances as per regulatory guidelines, outstanding as of March 31, 2013 was ₹ 2,330.00 crore (previous year: ₹ 2,540.00 crore).

- **Concentration of deposits, advances, exposures and NPAs**

(a) Concentration of deposits

Amounts in (₹) crore

Particulars	March 31, 2013	March 31, 2012
Total deposits of twenty largest depositors	23,061.07	21,165.79
Percentage of deposits of twenty largest depositors to total deposits of the Bank	7.8%	8.6%

(b) Concentration of advances

Amounts in (₹) crore

Particulars	March 31, 2013	March 31, 2012
Total advances to twenty largest borrowers	52,662.79	50,459.18
Percentage of advances of twenty largest borrowers to total advances of the Bank	12.8%	14.9%

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

Amounts in (₹) crore

Particulars	March 31, 2013	March 31, 2012
Total exposure to twenty largest borrowers/ customers	64,001.84	59,358.08
Percentage of exposure of twenty largest borrowers/ customers to total exposure of the Bank on borrowers/ customers	14.7%	16.5%

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

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Total gross exposure to top four NPA accounts	288.30	312.93

12. Other fixed assets (including furniture and fixtures)

Other fixed assets includes amount capitalised on software having useful life of five years. Details regarding the same are tabulated below:

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
(V) **Cost**		
As at March 31 of the previous year	830.10	706.33
Additions during the year	263.40	123.77
Deductions during the year	(0.01)	-
Total (a)	**1,093.49**	**830.10**
Depreciation		
As at March 31 of the previous year	563.74	456.81
Charge for the year	147.44	106.93
On deductions during the year	(0.01)	-
Total (b)	**711.17**	**563.74**
Net value as at March 31 (a-b)	**382.32**	**266.36**

13. Other assets

- Other assets include deferred tax asset (net) of ₹ 1,904.85 crore (previous year: ₹ 1,448.89 crore). The break-up of the same is as follows:

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Deferred tax asset arising out of:		
Loan loss provisions	1,453.10	926.03
Employee benefits	118.80	65.06
Others	390.90	519.81
Total (a)	**1,962.80**	**1,510.90**
Deferred tax liability arising out of:		
Depreciation	(57.95)	(62.01)
Total (b)	**(57.95)**	**(62.01)**
Deferred tax asset (net) (a-b)	**1,904.85**	**1,448.89**

- **Key items under "Others" in Other assets are as under:**

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Unrealised gain on foreign exchange and derivative contracts*	7,463.93	13,279.22
Deferred tax assets	1,904.85	1,448.89
Deposits & amounts paid in advance	1,398.32	1,195.70
Accounts receivable	1,257.02	619.68
Margin for LAF with RBI	1,025.00	350.00
Residuary items	39.63	20.29
Total	**13,088.75**	**16,913.78**

**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.*

14. Maturity pattern of key assets and liabilities

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI.

(₹) in crore

As at March 31, 2013	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	5,160.79	4,770.92	4,617.22	6,939.38	22,673.07	22,676.59	25,700.78	110,569.48	18,146.42	18,465.99	239,720.64
Investments	4,397.94	13,865.75	2,429.28	2,692.10	7,566.13	7,183.02	7,752.56	34,347.67	5,051.12	26,328.03	111,613.60
Deposits	4,667.75	10,306.01	7,730.10	7,288.12	18,957.09	20,887.03	17,959.52	126,568.53	5,224.33	76,658.50	296,246.98
Borrowings	239.53	1,435.14	504.35	565.12	2,980.61	4,029.55	999.08	4,028.92	6,474.45	11,749.85	33,006.60
Foreign currency assets	1,360.66	5,030.23	1,360.79	1,288.74	5,855.24	5,119.54	1,117.90	2,588.78	1,404.62	106.48	25,232.98
Foreign currency liabilities	293.96	1,074.45	549.93	777.62	3,683.12	4,636.29	2,224.74	3,005.35	4,623.94	576.69	21,446.09

(₹) in crore

As at March 31, 2012	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	4,590.86	3,897.12	3,436.29	5,602.93	21,689.00	15,679.94	21,102.35	87,736.25	15,087.02	16,598.27	195,420.03
Investments	19,151.21	2,747.12	1,531.68	2,120.47	4,589.17	6,118.01	5,404.05	30,283.24	3,822.34	21,715.62	97,482.91
Deposits	2,425.80	5,810.52	7,032.17	6,707.56	21,192.10	19,813.10	9,623.67	109,965.96	864.61	63,270.96	246,706.45
Borrowings	1,340.40	1,528.96	211.57	168.03	4,623.94	1,736.01	1,017.50	2,474.43	2,501.92	8,243.75	23,846.51
Foreign currency assets	744.14	3,304.88	529.40	1,074.89	3,649.66	3,892.58	730.47	2,146.96	1,340.15	333.02	17,746.15
Foreign currency liabilities	1,558.13	499.86	263.39	414.03	2,632.30	2,075.80	1,735.10	3,273.15	381.12	508.75	13,341.63

15. 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

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Opening provision for reward points	85.80	59.33
Provision for reward points made during the year	109.35	55.10
Utilisation / write back of provision for reward points	(62.65)	(22.10)
Effect of change in rate for accrual of reward points	14.11	(6.53)
Effect of change in cost of reward points	(16.54)	-
Closing provision for reward points	130.07	85.80

(b) Provision for legal and other contingencies

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Opening provision	286.03	316.60
Movement during the year (net)	26.63	(30.57)
Closing provision	312.66	286.03

(c) Description of contingent liabilities

S. 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,	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

S. No.	Contingent liability[*]	Brief description
	acceptances, endorsements and other obligations	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

16. Business ratios / information

Particulars	March 31, 2013	March 31, 2012
Interest income as a percentage to working funds[1]	9.91%	9.57%
Net interest income as a percentage to working funds	4.47%	4.43%
Non-interest income as a percentage to working funds	1.94%	1.99%
Operating profit[2] as a percentage to working funds	3.23%	3.22%
Return on assets (average)	1.90%	1.77%
Business[3] per employee (₹ in crore)	7.50	6.54
Profit per employee[4] (₹ in crore)	0.10	0.08
Gross non-performing assets to gross advances[5]	0.97%	1.02%
Gross non-performing advances to gross advances	0.85%	0.92%
Percentage of net non-performing assets[6] to net advances[7]	0.20%	0.18%
Percentage of net non-performing assets to customer assets[8]	0.19%	0.18%
Provision Coverage Ratio[9]	79.91%	82.38%

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. *Customer assets include net advances, credit substitutes like debentures, commercial papers and loans and investments in securitised assets bought in.*

9. *Provision coverage ratio does not include assets written off.*

17. Interest income

Interest income under the sub-head Income from Investments includes dividend received during the year ended March 31, 2013 on units of mutual funds, equity and preference shares amounting to ₹ 180.35 crore (previous year: ₹ 299.61 crore).

18. Earnings from standard assets securitised-out

There are no Special Purpose Vehicles (SPVs) sponsored by the Bank for securitisation transactions. During the years ended March 31, 2013 and March 31, 2012, 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 (PTCs) 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, 2013 was ₹ 353.47 crore (previous year: ₹ 358.97 crore), and liquidity enhancement was ₹ 8.10 crore (previous year: ₹ 8.10 crore). Outstanding servicing liability was ₹ 0.27 crore (previous year: ₹ 0.40 crore).

19. Other income

- **Commission, exchange and brokerage income**

  - Commission, exchange and brokerage income is net of correspondent bank charges.
  - Commission income forthe year ended March 31, 2013 includes fees (net of service tax) of ₹ 469.21 crore (previous year: ₹ 453.63 crore) in respect of life insurance business and ₹ 125.47 crore (previous year: ₹ 109.50 crore) in respect of general insurance business.

- **Miscellaneous income**

Miscellaneous income is comprised of the following:

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Recoveries from written off accounts	496.54	503.33
Derivative income/ (loss)	(221.64)	(126.53)
Other	18.04	22.55
Total	**292.94**	**399.35**

20. Other expenditure

Other expenditure includes outsourcing fees amounting to ₹ 530.26 crore (previous year: ₹ 516.40 crore) and commission paid to sales agents amounting to ₹ 963.30 crore (previous year: ₹ 774.56 crore), exceeding 1% of the total income of the Bank.

21. Provisions and contingencies

The break-up of provisions and contingencies included in the Statement of Profit and Loss is given below:

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Provision for income tax		
- Current	3,275.76	2,606.25
- Deferred	(251.42)	(260.18)
Provision for wealth tax	0.60	0.55
Provision for NPAs	1,234.21	1,091.78
Provision for diminution in value of non-performing investments	52.21	93.40
Provision for standard assets	123.71	150.50
Other provisions and contingencies*	266.27	541.22

Particulars	March 31, 2013	March 31, 2012
Total	**4,701.34**	**4,223.52**

Includes (write-back) / provisions for tax, legal and other contingencies ₹ (133.21) crore (previous year: ₹ (164.49) crore), floating provisions ₹ 400.00 crore (previous year: ₹ 700.00 crore), provisions for securitised-out assets ₹ 5.92 crore (previous year: ₹ 9.84 crore) and standard restructured assets ₹ (6.44) crore (previous year: ₹ (4.13) crore).

22. Employee benefits

Gratuity

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	166.30	136.08
Interest cost	13.06	11.57
Current service cost	38.73	28.36
Benefits paid	(11.76)	(9.14)
Actuarial (gain) / loss on obligation:		
Experience adjustment	2.72	1.25
Assumption change	(2.77)	(1.82)
Present value of obligation as at March 31	**206.28**	**166.30**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	91.86	66.00
Expected return on plan assets	8.88	6.31
Contributions	39.24	29.62
Benefits paid	(11.76)	(9.14)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	2.00	(0.93)
Assumption change	-	-
Fair value of plan assets as at March 31	**130.22**	**91.86**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	130.22	91.86
Present value of obligation as at March 31	(206.28)	(166.30)
Asset / (liability) as at March 31	**(76.06)**	**(74.44)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	13.06	11.57
Current service cost	38.73	28.36
Expected return on plan assets	(8.88)	(6.31)
Net actuarial (gain) / loss recognised in the year	(2.04)	0.36
Net cost	**40.87**	**33.98**
Actual return on plan assets	10.88	5.39
Estimated contribution for the next year	30.96	41.01
Assumptions		
Discount rate	8.1% per annum	8.8% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	9.0% per annum

Experience adjustment

(₹) in crore

Particulars	Years ended March 31,				
	2013	2012	2011	2010	2009
Plan assets	130.22	91.86	66.00	51.74	45.38

Particulars	Years ended March 31,				
	2013	2012	2011	2010	2009
Defined benefit obligation	206.28	166.30	136.08	99.20	72.57
Surplus/(deficit)	(76.06)	(74.44)	(70.08)	(47.46)	(27.19)
Experience adjustment gain/(loss) on plan assets	2.00	(0.93)	0.01	7.40	(3.68)
Experience adjustment(gain)/loss on plan liabilities	2.72	1.25	9.56	(5.02)	(8.53)

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, 2013 are given below:

Category of plan assets	% of fair value to total plan assets
Government securities	33.5
Debenture and bonds	33.2
Equity shares	26.4
Others	6.9
Total	**100.0**

Pension

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	56.85	57.38
Interest cost	4.18	4.61
Current service cost	1.32	1.51
Benefits paid	(11.09)	(10.09)
Actuarial (gain) / loss on obligation:		
Experience adjustment	6.12	1.36
Assumption change	0.81	2.08
Present value of obligation as at March 31	**58.19**	**56.85**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	51.14	43.35
Expected return on plan assets	4.00	3.78
Contributions	6.41	15.39
Benefits paid	(11.09)	(10.09)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	(1.58)	(1.29)
Assumption change	-	-
Fair value of plan assets as at March 31	**48.88**	**51.14**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	48.88	51.14
Present value of obligation as at March 31	(58.19)	(56.85)
Asset / (liability) as at March 31	**(9.31)**	**(5.71)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	4.18	4.61
Current service cost	1.32	1.51
Expected return on plan assets	(4.00)	(3.78)
Net actuarial (gain) / loss recognised in the year	8.51	4.73
Net cost	**10.01**	**7.07**
Actual return on plan assets	2.42	2.49

Particulars	March 31, 2013	March 31, 2012
Estimated contribution for the next year	9.48	6.28
Assumptions		
Discount rate	8.1% per annum	8.8% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	9.0% per annum

Experience adjustment

(₹) in crore

Particulars	Years ended March 31,				
	2013	2012	2011	2010	2009
Plan assets	48.88	51.14	43.35	38.78	36.90
Defined benefit obligation	58.19	56.85	57.38	40.70	34.60
Surplus / (deficit)	(9.31)	(5.71)	(14.03)	(1.92)	2.30
Experience adjustment gain/(loss) on plan assets	(1.58)	(1.29)	2.85	2.78	(2.69)
Experience adjustment (gain)/loss on plan liabilities	6.12	1.36	18.50	2.12	(8.06)

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, 2013 are given below:

Category of Plan Assets	% of fair value to total plan assets
Government securities	6.5
Debenture and bonds	66.7
Others	26.8
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 Actuary Society of India (ASI) 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 holds a provision of ₹ 9.57 crore as on March 31, 2013 (previous year: ₹ 9.77 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, 2013	March 31, 2012
Discount rate (GOI security yield)	8.0% per annum	8.8% per annum
Expected guaranteed interest rate	8.6% per annum	8.3% (1 year) & average 8.6% thereafter

The guidance note on valuation of interest rate guarantee embedded in provident fund issued by ASI is effective from April 1, 2011. In the absence of any valuation guidance for the earlier periods, the obligation has not been valued for the earlier years.

The Bank does not have any unfunded defined benefit plan. The Bank contributed ₹ 129.54 crore (previous year: ₹ 116.54 crore) to the provident fund and ₹ 37.33 crore (previous year: ₹ 32.71 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:

(₹) in crore

Particulars	**March 31, 2013**	**March 31, 2012**
Privileged leave	211.25	169.98
Sick leave	40.50	34.98
Total actuarial liability	**251.75**	**204.96**
Assumptions		
Discount rate	8.1% per annum	8.8% per annum
Salary escalation rate	8.5% per annum	9.0% per annum

23 Disclosures on remuneration

Qualitative Disclosures

A Information relating to the composition and mandate of the Remuneration Committee

Composition of the Remuneration Committee

The Board of Directors of the Bank has constituted the Remuneration Committee (hereinafter, the 'Committee') for overseeing and governing the compensation policies of the Bank. The Committee is comprised of four independent directors and is chaired by the Chairman of the Board of Directors of the Bank. Further, two members of the Committee are also members of the Risk Policy and Monitoring Committee (RPMC) of the Board.

The Committee is comprised of the Chairman, Mr. C. M. Vasudev, Dr. Pandit Palande, Mr. Partho Datta and Mr. Bobby Parikh. Further, Mr. C.M. Vasudev and Mr. Partho Dutta are also members of the RPMC.

Mandate of the Remuneration Committee

The primary mandate of the Committee is to oversee the implementation of compensation policies of the Bank.

The Committee 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 Committee. The Committee co-ordinates with the RPMC to ensure that compensation is aligned with prudent risk taking.

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 compensation structure for both the categories of employees is determined by the Committee 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 Committee 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 are comprised of contributions to provident fund, superannuation fund (for certain job bands) and gratuity. 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 Committee 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 Committee 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, subject to RBI approval.
13.33%	As on the start date of the subsequent financial year immediately following the reference performance year.
13.33%	As on the start date of the second financial year immediately following the reference performance year.
13.33%	As on the start date of the third financial year immediately 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 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 incentive 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 (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.

- Incentive Plans

  Incentive Plans are formulated for sales personnel who are given origination/sales targets but have limited impact on risk since credit decisions are exercised independent of the sales function. Most incentive plans have quarterly payouts and are based on the framework of a balanced scorecard. In alignment with the principles of prudent risk management, a portion of the incentive payouts are deferred till the end of the year and are linked to attainment of targets for the full year.

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) 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(ESOPs)

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 Wholetime 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 Committee

The grant of options is reviewed and approved by the Committee. The number of options granted varies at the discretion of the Committee 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 Committee. Equity share options granted to the Whole Time Directors are subject to the approval of the Committee, 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.

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 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. Based on the surplus available post adjustment of the cost of capital to cover all such risks and factoring the impact of bonus payout on operating costs an appropriate bonus pool is arrived at.

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.

D Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration

Levels of remuneration in the Bank are linked to the performance of the individual employees and the respective business functions. The performance driven pay culture is briefly described 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 individual performance, role, and function, the Bank has formulated the following variable pay plans:

- **Annual Bonus Plan**

The Bank's annual bonus is computed as a multiple of the standardised gross salary for every job band.

The bonus multiple is based on performance rating, job bandand the functional category of the individual employee. All other things remaining equal, for a given job band, the bonus multiple 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 incentive plans.

- **Incentive Plans**

The Bank has formulated incentive plans for its sales personnel who are given origination / sales targets. All incentive payouts are subject to the achievement of individual targets enumerated in the respective scorecards of the employees. A portion of the incentive payouts are deferred till the end of the year and are linked to attainment of targets for the full year.

E 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 Committee 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, subject to RBI approval.
13.33%	As on the start date of the subsequent financial year immediately following the reference performance year.
13.33%	As on the start date of the second financial year immediately following the reference performance year.
13.33%	As on the start date of the third financial year immediately 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 Committee, then the Committee 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 Committee 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 incentive 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 (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.

- Incentive Plans

Incentive Plans are formulated for sales personnel who are given origination / sales targets but have limited impact on risk since credit decisions are exercised independent of the sales function. Most incentive plans have quarterly payouts. In alignment with the principles of prudent risk management, a portion of the incentive payouts are deferred till the end of the year and are linked to attainment of targets for the full year.

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 incentives. This is based on performance rating, job band and functional category of the individual.

- **Incentive Plans**

These are paid to frontline sales staff for the achievement of specific sales targets but 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 rather than just the achievement of financial numbers. Incentives are generally paid every quarter. A portion of the incentive payouts are deferred till the end of the year and are linked to attainment of targets for the full year.

- **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.

S. No.	Subject	March 31, 2013	March 31, 2012
(a)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members	Number of meetings: 5 Remuneration paid: ₹ 0.04 crore	Number of meetings: 3 Remuneration paid: ₹ 0.02 crore
(b) (i)	Number of employees having received a variable remuneration award during the financial year	22 employees	21 employees
(b) (ii)	Number and total amount of sign-on awards made during the financial year	None	▪ There was 1 employee who were given ESOPs under ESOP scheme XVII as part of joining commitment. ▪ Total number of options granted were 1,25,000
(b) (iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	None	▪ There was1 employee who was paid bonus subject to confirmation as part of joining commitment. ▪ Total amount paid: ₹ 0.25 crore
(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 ₹ 1.81 crore	Nil
(c) (ii)	Total amount of deferred remuneration paid out in the financial year	Nil	Total amount of deferred remuneration (bonus) paid out: ₹ 0.30 crore
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	₹ 31.81crore (Fixed*) ₹ 9.82 crore (Variable pay pertaining to financial year ended March 31, 2012, in relation to employees where there was no	₹ 27.52crore (Fixed*) ₹ 10.53crore (Variable pertaining to financial year ended March 31, 2011)

S. No.	Subject	March 31, 2013	March 31, 2012
		deferment of pay) ₹ 4.53crore (Variable pay pertaining to financial year ended March 31, 2012, in relation to employees where there was deferment of pay), of which ₹ 1.81 crore was deferred and ₹ 2.72crore was non-deferred.	Nil (Deferred) ₹ 10.53crore (Non-deferred)
(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 ₹ 1.81 crore	Nil
(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.*

24. Segment reporting

Segment reporting for the year ended March 31, 2013 is given below:

Business segments:

(₹) in crore

S. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	9,711.02	34,919.65	17,633.82	3,902.56	66,167.05
2	Unallocated revenue					112.77
3	Less: Inter-segment revenue					24,362.33
4	Income from operations (1) + (2) – (3)					41,917.49
5	Segment results	225.00	4,424.15	4,751.96	1,564.12	10,965.23
6	Unallocated expenses					1,214.61
7	Income tax expense (including deferred tax)					3,024.34
8	Net profit (5) – (6) – (7)					6,726.28
9	Segment assets	139,459.18	138,001.73	107,109.05	11,331.21	395,901.17
10	Unallocated assets					4,430.73
11	Total assets (9) + (10)					400,331.90
12	Segment liabilities	24,652.79	234,968.21	82,810.62	1,016.26	343,447.88
13	Unallocated liabilities					20,669.88
14	Total liabilities (12) + (13)					364,117.76
15	Capital employed (9) - (12)	114,806.39	(96,966.48)	24,298.43	10,314.95	52,453.29
16	Unallocated (10) - (13)					(16,239.15)

S. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
17	Total (15) + (16)					36,214.14
18	Capital expenditure	100.80	629.46	165.92	116.90	1,013.08
19	Depreciation	52.20	426.34	94.44	78.69	651.67

Geographic segments:

(₹) in crore

Particulars	Domestic	International
Revenue	41,529.43	388.06
Assets	386,064.61	14,267.29

Segment reporting for the year ended March 31, 2012 is given below:

Business segments:

(₹) in crore

S. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	7,823.56	27,532.72	15,808.41	3,020.97	54,185.66
2	Unallocated revenue					96.48
3	Less: Inter-segment revenue					20,624.33
4	Income from operations (1) + (2) – (3)					33,657.81
5	Segment results	381.99	3,486.82	3,271.85	1,277.54	8,418.20
6	Unallocated expenses					905.05
7	Income tax expense (including deferred tax)					2,346.08
8	Net profit (5) – (6) – (7)					5,167.07
9	Segment assets	121,349.00	112,840.91	92,710.51	7,521.95	334,422.37
10	Unallocated assets					3,487.12
11	Total assets (9) + (10)					337,909.49
12	Segment liabilities	26,142.72	189,990.26	76,404.04	727.56	293,264.58
13	Unallocated liabilities					14,720.53
14	Total liabilities (12) + (13)					307,985.11
15	Capital employed (9) - (12)	95,206.28	(77,149.35)	16,306.47	6,794.39	41,157.79
16	Unallocated (10) - (13)					(11,233.41)
17	Total (15) + (16)					29,924.38
18	Capital expenditure	43.29	539.74	78.93	60.41	722.37
19	Depreciation	36.54	365.44	75.09	65.45	542.52

Geographic segments:

(₹) in crore

Particulars	Domestic	International
Revenue	33,430.55	227.26
Assets	329,216.10	8,693.39

25. Related party disclosures

As per AS-18, Related Party Disclosure, the Bank’s related parties are disclosed below:

Promoter

Housing Development Finance Corporation Limited

Enterprises under common control of the promoter

- HDFC Asset Management Company Limited
- HDFC Standard Life Insurance Company Limited
- HDFC Developers Limited
- HDFC Holdings Limited
- HDFC Investments Limited
- HDFC Trustee Company Limited
- GRUH Finance Limited
- HDFC Realty Limited
- HDFC ERGO General Insurance Company Limited
- HDFC Venture Capital Limited
- HDFC Ventures Trustee Company Limited
- HDFC Sales Private Limited
- Griha Investments
- Credila Financial Services Private Limited
- HDFC Education and Development Services Private Limited
- HDFC Asset Management Company (Singapore) Pte. Limited
- HDFC Property Ventures Limited
- Griha Pte Limited
- HDFC Life Pension Fund Management Company Limited
- H T Parekh Foundation

Subsidiaries
HDFC Securities Limited
HDB Financial Services Limited

Associates
Atlas Documentary Facilitators Company Private Limited
HBL Global Private Limited
Centillion Solutions and Services Private Limited (ceased to be an associate from December 31, 2011)
International Asset Reconstruction Company Private Limited
Welfare trust of the Bank
HDB Employees Welfare Trust

Key management personnel
Aditya Puri, Managing Director
Paresh Sukthankar, Executive Director
Harish Engineer, Executive Director

Related parties to key management personnel

Salisbury Investments Private Limited, Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad, Sudha Engineer, Shreematiben Engineer, Nikhil Engineer, Uma Engineer, Mahesh Engineer.

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, 2013 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 ₹ 9.79 crore (previous year: ₹ 7.55 crore); Atlas Documentary Facilitators Company Private Limited ₹ 4.08 crore (previous year: ₹ 4.04 crore).

- Interest received: HDB Financial Services Limited ₹ 55.43 crore (previous year: ₹ 44.09 crore).

- Rendering of services: Housing Development Finance Corporation Limited ₹ 139.59 crore (previous year: ₹ 106.97crore); HDFC Standard Life Insurance Company Limited ₹ 472.33

crore (previous year: ₹ 456.37crore); HDFC ERGO General Insurance Company Limited ₹ 126.31 crore (previous year: ₹ 110.44 crore)

- Receiving of services: HBL Global Private Limited ₹ 464.56 crore (previous year: ₹ 360.40 crore); Atlas Documentary Facilitators Company Private Limited ₹ 393.48 crore (previous year: ₹ 324.43 crore).

- Dividend paid: Housing Development Finance Corporation Limited ₹ 169.08 crore (previous year: ₹ 129.76 crore); HDFC Investments Limited ₹ 64.50 crore (previous year: ₹ 49.50crore)

The Bank's related party balances and transactions for the year ended March 31, 2013 are summarized as follows:

(₹) in crore

Items / Related party	Promoter	Enterprises under common control of the promoter	Subsidiaries	Associates	Key management personnel	Total
Deposits taken	1,985.17 (3,193.25)	566.11 (729.10)	281.82 (369.08)	44.13 (48.97)	5.67 (6.61)	2,882.90 (4,347.01)
Deposits placed	0.15 (0.15)	-	9.76 (9.76)	38.45 (38.45)	2.22 (2.22)	50.58 (50.58)
Advances given	-	-	643.71 (643.71)	7.98 (17.93)	0.73 (0.73)	652.42 (662.37)
Fixed assets purchased from	-	-	-	-	-	-
Fixed assets sold to	-	-	-	-	-	-
Interest paid to	9.79	12.77	2.88	4.12	0.41	29.97
Interest received from	-	-	55.46	1.87	0.04	57.37
Income from services rendered to	139.59	668.68	18.15	20.95	-	847.37
Expenses for receiving services from	47.94	111.07	67.62	858.04	0.60	1,085.27
Equity / other investments	-	-	723.62 (748.62)	46.86 (52.50)	-	770.48 (801.12)
Dividend paid to	169.08	68.83	-	-	1.15	239.06
Dividend received from	-	-	0.76	0.01	-	0.77
Receivable from	13.97 (13.97)	101.74 (101.74)	0.32 (1.59)	2.42 (2.42)	-	118.45 (119.72)
Payable to	- (8.12)	- -	12.71 (12.95)	66.87 (107.23)	- -	79.58 (128.30)
Guarantees given	0.10 (0.10)	0.13 (0.13)	0.05 (0.05)	- -	- -	0.28 (0.28)
Remuneration paid	-	-	-	-	11.95	11.95
Loans purchased from	5,164.40	-	27.72	-	-	5,192.12

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 certain parties which includes the promoter and related group companies. 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, 2013 is ₹ 250.00 crore (previous year: ₹ 250.00 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is ₹ 7.42 crore (previous year: ₹ 15.23 crore).

During the year ended March 31, 2013, the Bank purchased securities from HDFC Standard Life Insurance Company Limited ₹ 294.24 crore (previous year: ₹ 23.97 crore), from HDB Financial Services Limited ` 180.00 crore (previous year: Nil). During the year ended March 31, 2013, the Bank sold securities to HDFC Standard Life Insurance Company Limited with book values aggregating ₹ 650.02 crore (previous year: ₹ 227.92 crore), to HDFC ERGO General Insurance Company Limited ₹ 217.16 crore (previous year: ₹ 230.59 crore), to Key Management Personnel ₹ 5.26 crore (previous year: Nil).

As of March 31, 2013, investment of HDFC Standard Life Insurance Company Limited in the Bank's tier II bonds amounted to ₹ 61 crore (previous year: ₹ 11 crore) and that of HDFC ERGO General Insurance Company Limited amounted to ₹ 5 crore (previous year: Nil).

During the year ended March 31, 2013, 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, 2013, the security deposit outstanding was ₹ 4.28 crore (previous year: ₹ 4.28 crore).

The deposit outstanding from HDB Employees Welfare Trust as of March 31, 2013 was ₹ 49.66 crore (previous year: ₹ 44.59 crore). The Bank also paid interest on deposit from HDB Employees Welfare Trust aggregating to ₹ 4.55 crore (previous year: ₹ 2.85 crore). During the previous year ended March 31, 2012, the Bank purchased 685,161 shares of HDFC Securities Limited for ₹ 9.87 crore from HDB Employees Welfare Trust.

The Bank's related party balances and transactions for the year ended March 31, 2012 are summarized as follows:

(₹) in crore

Items / Related party	Promoter	Enterprises under common control of the promoter	Subsidiaries	Associates	Key management personnel	Total
Deposits taken	2,110.77	360.10	141.44	45.71	10.83	2,668.85
	(2,110.77)	(360.10)	(171.46)	(45.71)	(10.83)	(2,698.87)
Deposits placed	0.15	-	9.76	30.95	2.22	43.08
	(0.15)		(9.76)	(77.60)	(2.22)	(89.73)
Advances given	-	-	518.22	27.90	0.73	546.85
			(518.22)	(34.36)	(0.73)	(553.31)
Fixed assets purchased from	-	-	-	0.20	-	0.20
Fixed assets sold to	-	-	0.14	0.13	-	0.27
Interest paid to	7.55	2.36	1.38	4.15	0.43	15.87
Interest received from	-	-	44.09	1.39	0.03	45.51
Income from services rendered to	106.97	619.73	10.52	20.93	-	758.15
Expenses for receiving services from	24.79	36.62	57.08	685.50	0.60	804.59
Equity / Other	-	-	723.62	66.13	-	789.75
Investments			(723.62)	(66.58)	-	(790.20)
Dividend paid to	129.76	49.50	-	-	0.90	180.16
Dividend received from	-	-	0.57	0.01	-	0.58
Receivable from	13.65	77.32	0.26	-	-	91.23
	(13.65)	(77.32)	(1.21)	(7.15)	-	(99.33)
Payable to	8.35	-	6.31	50.89	-	65.55
	(8.35)	-	(6.63)	(63.32)	-	(78.30)
Remuneration paid	-	-	-	-	9.98	9.98

Items / Related party	Promoter	Enterprises under common control of the promoter	Subsidiaries	Associates	Key management personnel	Total
Loans purchased from	4,977.62	-	28.40	-	-	5,006.02

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.

26. Leases

Operating leases primarily comprise office premises, staff residences and Automated Teller Machines (ATMs), which are renewable at the option of the Bank. The details of maturity profile of future operating lease payments are given below:

(₹) in crore

Period	March 31, 2013	March 31, 2012
Not later than one year	611.59	515.21
Later than one year and not later than five years	2,076.89	1,743.06
Later than five years	1,021.66	731.13
Total	**3,710.14**	**2,989.40**
The total of minimum lease payments recognised in the Statement of Profit and Loss for the year	700.61	538.20
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	64.30	66.47
Sub-lease payments recognised in the Statement of Profit and Loss for the year	24.22	24.17
Contingent (usage based) lease payments recognized in the Statement of Profit and Loss for the year	105.55	-

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.

27. Penalties levied by the RBI

No penalties were levied by the RBI during the year ended March 31, 2013.

28. Dividend in respect of shares to be allotted on exercise of stock options

Any allotment of shares after the Balance Sheet date but before the book closure date pursuant to exercise of options will be eligible for full dividend, if approved at the ensuing Annual General Meeting.

29. Disclosure for customer complaints / unimplemented awards of Banking Ombudsman

- **Customer complaints**

Particulars	March 31, 2013	March 31, 2012
(a)No. of complaints pending at the beginning of the year	1,436	1,124
(b) No. of complaints received during the year	135,145	138,769
(c) No. of complaints redressed during the year	134,277	138,457
(d) No. of complaints pending at the end of the year	2,304	1,436

During the year ended March 31, 2013, the Bank received from its customers a total of 155,918transaction failures on account of their use of other banks' ATMs (previous year: 158,555).

While these typically arise due to external factors like network issues, the Bank follows industry laid down guidelines for resolving such transaction failures.

- **Unimplemented awards of Banking Ombudsmen (BO)**

Particulars	March 31, 2013	March 31, 2012
(a) No. of unimplemented awards at the beginning of the year	Nil	Nil
(b) No. of awards passed by the BO during the year	2	1
(c) No. of awards implemented during the year	2	1
(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 was 4 per month during the year ended March 31, 2013 (previous year: 5 per month).For the year ended March 31, 2013, retail branch banking segment accounted for 74.12% of the total complaints (an increase from 71.18% for the previous year) followed by credit cards at 12.99% of the total complaints (a reduction from 14.90% for the previous year), retail assets at 6.9% of the total complaints (a reduction of 7.42% for the previous year), while other segments accounted for 5.99% of total complaints (as against 7.31% in the previous year). The top 10 areas of customer complaints for the year ended March 31, 2013 accounted for 37.08% of total complaints as against 38.51% for the year ended March 31, 2012. The top 5 areas of customer complaints on which the Bank is working towards root cause remediation are – 'instant account not activated - personal details not updated', 'address change request given at branch not done', 'cheque deposited at branch not credited/delayed', 'delay in closure of account' and 'cash not dispensed or less cash dispensed in the Bank's ATMs'.

- **Position of BO complaints as per RBI annual report**

As per a report published by the RBI for the year ended June 30, 2012, the number of BO complaints per branch for the Bank was 2.28 as against the industry average of 3.21. The number of BO complaints other than credit cards per 1,000 accounts was at 0.15 for the Bank as against the industry average of 0.24. The number of BO complaints (credit card related) per 1,000 cards was at 0.06 for the Bank as against the industry average of 0.17.

30. Disclosure of Letter of Comforts ('LoC's) issued by the Bank

The Bank has not issued any Letter of Comfort during the years ended March 31, 2013and March 31, 2012.

31. 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.

32. Overseas assets, NPAs and revenue

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Total Assets	14,267.29	8,693.39
Total NPAs	Nil	Nil
Total Revenue	388.06	227.26

33. Off-Balance sheet SPVs

There are no Off-Balance Sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.

34. Credit Default Swaps

The Bank has not transacted in credit default swaps during the year ended March 31, 2013 (previous year: Nil).

35. Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

As per our report of even date.	For and on behalf of the Board		
	C. M. Vasudev	**Harish Engineer**	**A. N. Roy**
For **B S R & Co.**	Chairman	Executive Director	**Bobby Parikh**
Chartered Accountants			**Keki Mistry**
Firm's Registration No.: 101248W	**Aditya Puri**	**Paresh Sukthankar**	**Partho Datta**
	Managing Director	Executive Director	**Renu Karnad**
			Vijay Merchant
N Sampath Ganesh	**Sanjay Dongre**		*Directors*
Partner	Executive Vice President (Legal) & Company Secretary		
Membership No.: 042554			
Mumbai , April 23, 2013			

Auditor's report

To the Members of HDFC Bank Limited

We have audited the attached Balance Sheet of HDFC Bank Limited ('the Bank') as at 31 March 2012 and also the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, annexed thereto for the year ended on that date. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The Balance Sheet and the Statement of Profit and Loss have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211(1), (2) and (3C) of the Companies Act, 1956.

We report that:

(a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

(b) in our opinion, the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

(c) the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the accounting principles generally accepted in India including Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.

We further report that:

(a) 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 and returns;

(b) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books;

(c) on the basis of written representations received from the directors, as on 31 March 2012, and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31 March 2012;

(b) in the case of the Statement of Profit and Loss, of the profit of the Bank for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

For **B S R & Co.**
Chartered Accountants

Firm's Registration No: 101248W

N Sampath Ganesh
Partner
Membership No: 042554

Mumbai
18 April 2012

Balance Sheet as at March 31, 2012

₹ '000s

	Schedule	As at 31-Mar-12	As at 31-Mar-11
CAPITAL AND LIABILITIES			
Capital	1	4,693,377	4,652,257
Reserves and Surplus	2	294,550,358	249,111,291
Employees' Stock Options (Grants) Outstanding		3,020	29,135
Deposits	3	2,467,064,459	2,085,864,054
Borrowings	4	238,465,086	143,940,610
Other Liabilities and Provisions	5	374,318,690	289,928,565
Total		**3,379,094,990**	**2,773,525,912**
ASSETS			
Cash and balances with Reserve Bank of India	6	149,910,945	251,008,158
Balances with Banks and Money at Call and Short notice	7	59,466,318	45,680,191
Investments	8	974,829,094	709,293,656
Advances	9	1,954,200,292	1,599,826,654
Fixed Assets	10	23,471,940	21,706,480
Other Assets	11	217,216,401	146,010,773
Total		**3,379,094,990**	**2,773,525,912**
Contingent Liabilities	12	8,652,928,262	5,751,224,839
Bills for Collection		186,924,956	134,284,924
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 **B S R & Co.**
Chartered Accountants
Firm's Registration No.: 101248W

N Sampath Ganesh
Partner

Membership No.: 042554
Mumbai, April 18, 2012

For and on behalf of the Board

C. M. Vasudev
Chairman

Aditya Puri
Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Harish Engineer
Executive Director

Parekh Sukthankar
Executive Director

A. N. Roy
Ashim Samanta
Bobby Parikh
Dr. Pandit Palande
Keki Mistry
Partho Datta
Renu Karnad
Directors

Statement of Profit and Loss for the year ended March 31, 2012

₹ '000s

	Schedule	Year Ended 31-Mar-12	Year Ended 31-Mar-11
I. INCOME			
Interest earned	13	272,863,517	199,282,122
Other income	14	52,436,949	43,351,527
Total		**325,300,466**	**242,633,649**
II. EXPENDITURE			
Interest expended	15	149,895,780	93,850,839
Operating expenses	16	85,900,571	71,529,141
Provisions and contingencies		37,833,208	37,989,660
Total		**273,629,559**	**203,369,640**
III. PROFIT			
Net Profit for the Year		51,670,907	39,264,009
Profit brought forward		61,742,416	45,327,948
Total		**113,413,323**	**84,591,957**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		12,917,726	9,816,002
Proposed dividend		10,090,760	7,676,224
Tax (including cess) on dividend		1,636,973	1,245,275
Dividend (including tax/cess thereon) pertaining to previous year paid during the year		21,240	26,484
Transfer to General Reserve		5,167,091	3,926,401
Transfer to Capital Reserve		-	3,568
Transfer to/(from) Investment Reserve Account		(416,937)	155,587
Balance carried over to Balance Sheet		83,996,470	61,742,416
Total		**113,413,323**	**84,591,957**
V. EARNINGS PER EQUITY SHARE (Face value ₹ 2 per share)		₹	₹
Basic		22.11	17.00
Diluted		21.91	16.81
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 & Loss.			

As per our report of even date. For and on behalf of the Board

For **B S R & Co.**	**C. M. Vasudev**	**Harish Engineer**	**A. N. Roy**
Chartered Accountants	Chairman	Executive Director	**Ashim Samanta**
Firm's Registration No.: 101248W			**Bobby Parikh**
	Aditya Puri	**Parekh Sukthankar**	**Dr. Pandit Palande**
	Managing Director	Executive Director	**Keki Mistry**

		Partho Datta
N Sampath Ganesh	**Sanjay Dongre**	**Renu Karnad**
Partner	Executive Vice President (Legal) & Company Secretary	*Directors*

Membership No.: 042554
Mumbai, April 18, 2012

Cash Flow Statement for the year ended March 31, 2012

₹ '000s

Particulars	Year Ended 31-Mar-12	Year Ended 31-Mar-11
Cash flows from operating activities		
Net profit before income tax	**75,131,659**	**58,186,567**
Adjustments for:		
Depreciation on fixed assets	5,425,150	4,974,057
(Profit) / Loss on revaluation of investments	897,174	(310,616)
Amortisation of premia on Held to Maturity investments	783,012	2,268,463
(Profit) / Loss on sale of fixed assets	(15,132)	8,153
Provision for Non Performing Assets	6,515,777	7,630,184
Provision for Dimunition in value of Investment	934,030	-
Floating Provisions	7,000,000	6,700,000
Provision for standard assets	1,504,993	-
Provision for wealth tax	5,500	6,000
Contingency provisions	(1,587,844)	4,730,918
	96,594,319	**84,193,726**
Adjustments for :		
(Increase) / Decrease in Investments	(268,052,486)	(119,275,342)
(Increase) / Decrease in Advances	(360,930,722)	(349,150,899)
Increase / (Decrease) in Borrowings (excluding Subordinate debt, Perpetual debt and Upper Tier II instruments)	57,398,476	4,384,185
Increase / (Decrease) in Deposits	381,200,405	411,819,660
(Increase) / Decrease in Other assets	(67,229,825)	(82,711,986)
Increase / (Decrease) in Other liabilities and provisions	75,079,689	69,739,220
	(85,940,144)	18,998,564
Direct taxes paid (net of refunds)	(27,615,921)	(22,756,830)
Preliminary, pre-operating and share issue expenses incurred		
Net cash flow from / (used in) operating activities	**(113,556,065)**	**(3,758,266)**
Cash flows from / (used in) investing activities		
Purchase of fixed assets	(6,817,318)	(5,418,214)
Proceeds from sale of fixed assets	45,952	90,829
Investment in subsidiaries and/or joint ventures	(97,168)	(5,900,000)
Net cash used in investing activities	**(6,868,534)**	**(11,227,385)**
Cash flows from financing activities		
Money received on exercise of stock options by employees	5,306,601	8,281,642
Proceeds from issue of Upper & Lower Tier II capital Instruments	36,500,000	11,050,000
Redemption of subordinated debt	(2,000)	(620,000)
Dividend paid during the year	(7,695,463)	(5,519,403)
Tax on Dividend	(1,247,276)	(912,305)
Net cash generated from financing activities	**32,861,862**	**12,279,934**
Effect of Exchange Fluctuation on Translation reserve	251,650	(29,922)
Net Increase / (Decrease) in cash and cash equivalents	**(87,311,086)**	**(2,735,639)**
Cash and cash equivalents as at April 1st	296,688,349	299,423,988
Cash and cash equivalents as at March 31st	209,377,263	296,688,349

As per our report of even date.	For and on behalf of the Board		
For **B S R & Co.**	**C. M. Vasudev**	**Harish Engineer**	**A. N. Roy**
Chartered Accountants	Chairman	Executive Director	**Ashim Samanta**
Firm's Registration No.: 101248W			**Bobby Parikh**
	Aditya Puri	**Parekh Sukthankar**	**Dr. Pandit Palande**
	Managing Director	Executive Director	**Keki Mistry**
			Partho Datta
N Sampath Ganesh	**Sanjay Dongre**		**Renu Karnad**
Partner	Executive Vice President (Legal) & Company Secretary		*Directors*
Membership No.: 042554			
Mumbai, April 18, 2012			

Schedules to the Financial Statements

SCHEDULE 1 - CAPITAL

₹ '000s

	As at 31-Mar-12	As at 31-Mar-11
Authorised Capital	5,500,000	5,500,000
2,75,00,00,000 (31 March, 2011 : 55,00,00,000 of ₹ 10/- each) Equity Shares of ₹ 2/- each		
Issued, Subscribed and Paid-up Capital	4,693,377	4,652,257
2,34,66,88,270 (31 March, 2011 : 46,52,25,684 of ₹ 10/- each) Equity Shares of ₹ 2/- each		
Total	**4,693,377**	**4,652,257**

SCHEDULE 2 - RESERVES AND SURPLUS

₹ '000s

	As at 31-Mar-12	As at 31-Mar-11
I. Statutory Reserve		
Opening Balance	40,175,045	30,359,043
Additions during the year	12,917,726	9,816,002
Total	**53,092,771**	**40,175,045**
II. General Reserve		
Opening Balance	14,235,625	10,309,224
Additions during the year	5,167,091	3,926,401
Total	**19,402,716**	**14,235,625**
III. Balance in Profit and Loss Account	**83,996,470**	**61,742,416**
IV. Share Premium Account		
Opening Balance	118,996,370	110,789,552
Additions during the year	5,265,482	8,206,818
Total	**124,261,852**	**118,996,370**
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	2,954,677	2,951,109
Additions during the year	-	3,568
Total	**2,954,677**	**2,954,677**
VII. Investment Reserve Account		
Opening Balance	416,937	261,350
Additions during the year	178	155,620
Deductions during the year	(417,115)	(33)
Total	**-**	**416,937**
VIII. Foreign Currency Translation Account		

	As at 31-Mar-12	As at 31-Mar-11
Opening Balance	(45,343)	(15,421)
Additions during the year	251,651	(29,922)
Total	**206,308**	**(45,343)**
Total	**294,550,358**	**249,111,291**

SCHEDULE 3 – DEPOSITS

₹ '000s

	As at 31-Mar-12	As at 31-Mar-11
A. I. Demand Deposits		
(i) From Banks	9,122,028	10,184,754
(ii) From Others	444,956,398	454,420,134
Total	**454,078,426**	**464,604,888**
II Savings Bank Deposits	739,980,381	634,477,904
III Term Deposits		
(i) From Banks	13,839,859	14,267,601
(ii) From Others	1,259,165,793	972,513,661
Total	**1,273,005,652**	**986,781,262**
Total	**2,467,064,459**	**2,085,864,054**
B. I. Deposits of Branches in India	2,457,706,643	2,083,220,954
II. Deposits of Branches outside India	9,357,816	2,643,100
Total	**2,467,064,459**	**2,085,864,054**

SCHEDULE 4 – BORROWINGS

₹ '000s

	As at 31-Mar-12	As at 31-Mar-11
I. Borrowings in India		
(i) Reserve Bank of India	400,000	1,200,000
(ii) Other Banks	8,693,256	7,050,564
(iii) Other Institutions and agencies	28,182,425	9,270,356
(iv) Upper and Lower Tier II capital and Innovative Perpetual Debts	105,969,000	69,471,000
Total	**143,244,681**	**86,991,920**
II. Borrowings outside India*	95,220,405	56,948,690
Total	**238,465,086**	**143,940,610**

**Includes Upper Tier II debt of ₹ 508,75 lacs (previous year : ₹ 445,95 lacs)*

Secured borrowings included in I & II above: ₹ Nil (previous year: ₹ Nil)

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

₹ '000s

	As at 31-Mar-12	As at 31-Mar-11
I. Bills Payable	54,657,302	56,361,491
II. Interest Accrued	52,070,840	27,936,880
III. Others *(including provisions)*	246,754,935	189,105,808
IV. Contingent Provisions against standard assets	9,107,880	7,602,887

	As at 31-Mar-12	As at 31-Mar-11
V. Proposed Dividend *(including tax on dividend)*	11,727,733	8,921,499
Total	**374,318,690**	**289,928,565**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

₹ '000s

	As at 31-Mar-12	As at 31-Mar-11
I. Cash in hand *(including foreign currency notes)*	43,069,643	29,979,543
II. Balances with Reserve Bank of India		
(a) In current accounts	104,841,302	220,028,615
(b) In other accounts	2,000,000	1,000,000
Total	**106,841,302**	**221,028,615**
Total	**149,910,945**	**251,008,158**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

₹ '000s

	As at 31-Mar-12	As at 31-Mar-11
I. **In India**		
(i) Balances with Banks :		
(a) In current accounts	1,638,043	2,297,452
(b) In other deposit accounts	18,519,848	9,748,134
Total	**20,157,891**	**12,045,586**
(ii) Money at call and short notice :		
(a) With banks	2,700,000	10,700,000
(b) With other institutions	2,157,684	1,250,000
Total	**4,857,684**	**11,950,000**
Total	**25,015,575**	**23,995,586**
II. **Outside India**		
(i) In current accounts	1,534,618	4,637,720
(ii) In deposit accounts	4,070,000	2,452,725
(iii) Money at call and short notice	28,846,125	14,594,160
Total	**34,450,743**	**21,684,605**
Total	**59,466,318**	**45,680,191**

SCHEDULE 8 - INVESTMENTS

₹ '000s

	As at 31-Mar-12	As at 31-Mar-11
A. Investments in India in		
(i) Government securities	762,178,489	536,512,756
(ii) Other approved securities	4,919	4,906
(iii) Shares	836,086	934,931
(iv) Debentures and Bonds	9,628,460	5,347,672
(v) Subsidiaries / Joint Ventures	7,548,159	7,450,991
(vi) Others (Units, CDs/CPs, PTCs, Security Receipts and NABARD Deposits)	194,626,948	158,158,091
Total	**974,823,061**	**708,409,347**
B. Investments outside India in		
Other Investments		
(a) Shares	6,033	6,033
(b) Debentures and Bonds	-	878,276
Total	**6,033**	**884,309**
Total	**974,829,094**	**709,293,656**
(i) Gross Value of Investments		
(a) In India	977,092,379	708,833,996
(b) Outside India	6,033	884,309
Total	**977,098,412**	**709,718,305**
(ii) Provision for Depreciation		
(a) In India	2,269,318	424,649
(b) Outside India	-	-
Total	**2,269,318**	**424,649**
(iii) Net Value of Investments		
(a) In India	974,823,061	708,409,347
(b) Outside India	6,033	884,309
Total	**974,829,094**	**709,293,656**

SCHEDULE 9 - ADVANCES

₹ '000s

	As at 31-Mar-12	As at 31-Mar-11
A (i) Bills purchased and discounted	122,124,431	97,111,818
(ii) Cash Credits, Overdrafts and Loans repayable on demand	686,271,861	535,418,826
(iii) Term loans	1,145,804,000	967,296,010
Total	**1,954,200,292**	**1,599,826,654**
" Loans with tenor of less than one year are classified under A (ii) above. Previous year's figures have accordingly been regrouped"		
B (i) Secured by tangible assets*	1,420,597,632	1,174,928,949
(ii) Covered by Bank/Government Guarantees	55,552,871	33,137,271
(iii) Unsecured	478,049,789	391,760,434
Total	**1,954,200,292**	**1,599,826,654**
* Including advances against Book Debts		
C. I. Advances in India		
(i) Priority Sector	638,630,006	547,812,252
(ii) Public Sector	70,538,519	54,001,024
(iii) Banks	3,714,239	286,035
(iv) Others	1,182,101,828	951,191,921
Total	**1,894,984,592**	**1,553,291,232**
C.II. Advances Outside India		
(i) Due from Banks	18,418,646	13,809,946
(ii) Due from Others		
(a) Bills Purchased and discounted	35,333	1,074,676
(b) Syndicated Loans	13,166,585	10,579,336
(c) Others	27,595,136	21,071,464
Total	**59,215,700**	**46,535,422**
Total Advances	**1,954,200,292**	**1,599,826,654**
Advances are net of provisions		

SCHEDULE 10 - FIXED ASSETS

₹ '000s

	As at 31-Mar-12	As at 31-Mar-11
A. **Premises** *(including Land)*		
Gross Block		
At cost on 31 March of the preceding year	10,272,964	9,797,080
Additions during the year	264,145	667,766
Deductions during the year	(17,212)	(191,882)
Total	**10,519,897**	**10,272,964**
Depreciation		
As at 31 March of the preceding year	2,106,522	1,777,823
Charge for the year	394,965	397,220
On deductions during the year	(12,611)	(68,521)
Total	**2,488,876**	**2,106,522**
Net Block	**8,031,021**	**8,166,442**
B. **Other Fixed Assets** *(including furniture and fixtures)*		
Gross Block		
At cost on 31 March of the preceding year	37,622,202	32,735,743
Additions during the year	6,959,523	5,317,816
Deductions during the year	(346,144)	(431,357)
Total	**44,235,581**	**37,622,202**
Depreciation		
As at 31 March of the preceding year	24,082,164	19,605,108
Charge for the year	5,032,423	4,837,275
On deductions during the year	(319,925)	(360,219)
Total	**28,794,662**	**24,082,164**
Net Block	**15,440,919**	**13,540,038**
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	4,026,245
Charge for the year	-	78,222
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	**23,471,940**	**21,706,480**

SCHEDULE 11 - OTHER ASSETS

₹ '000s

	As at 31-Mar-12	As at 31-Mar-11
I. Interest accrued	32,001,760	22,919,250
II. Advance tax/tax deducted at source (net of provisions)	12,091,296	10,005,305
III. Stationery and stamps	165,891	221,712
IV. Non banking assets acquired in satisfaction of claims	311	5,934
V. Security deposit for commercial and residential property	3,819,367	3,482,838
VI. Others*	169,137,776	109,375,734
Total	**217,216,401**	**146,010,773**
**Includes deferred tax asset (net) of ₹ 1,448,89 lacs (previous year: ₹ 1,188,71 lacs)*		

SCHEDULE 12 - CONTINGENT LIABILITIES

₹ '000s

	As at 31-Mar-12	As at 31-Mar-11
I. Claims against the bank not acknowledged as debts -Taxation	13,567,900	12,191,400
II. Claims against the bank not acknowledged as debts -Others	2,876,193	1,317,087
III. Liability on account of outstanding forward exchange contracts	5,648,764,494	3,014,172,486
IV. Liability on account of outstanding derivative contracts	2,626,390,521	2,439,713,427
V. Guarantees given on behalf of constituents		
- In India	133,170,215	112,672,890
- Outside India	436,144	354,073
VI. Acceptances, endorsements and other obligations	209,182,124	154,406,109
VII. Other items for which the Bank is contingently liable	18,540,671	16,397,367
Total	**8,652,928,262**	**5,751,224,839**

SCHEDULE 13 - INTEREST EARNED

₹ '000s

	Year Ended 31-Mar-12	Year Ended 31-Mar-11
I. Interest/discount on advances/bills	205,366,009	150,850,114
II. Income from investments	65,045,894	46,754,416
III. Interest on balance with RBI and other inter-bank funds	1,371,409	1,480,831
IV Others	1,080,205	196,761
Total	272,863,517	199,282,122

SCHEDULE 14 - OTHER INCOME

₹ '000s

	Year Ended 31-Mar-12	Year Ended 31-Mar-11
I. Commission, exchange and brokerage	42,754,956	35,967,188
II. Profit / (Loss) on sale of investments (net)	(1,061,596)	(836,846)
III. Profit / (Loss) on revaluation of investments (net)	(897,174)	310,616
IV. Profit / (Loss) on sale of building and other assets (net)	15,132	(8,153)
V. Profit on exchange transactions (net)	12,653,760	9,208,434
VI. Income earned by way of dividends from subsidiaries		
/companies and/or joint ventures abroad/in India	11,655	4,468
VII. Miscellaneous income	(1,039,784)	(1,294,180)
Total	**52,436,949**	**43,351,527**

SCHEDULE 15 - INTEREST EXPENDED

₹ '000s

	Year Ended 31-Mar-12	Year Ended 31-Mar-11
I. Interest on Deposits	126,896,720	80,283,096
II. Interest on RBI/Inter-bank borrowings	22,528,622	13,364,445
III. Other interest	470,438	203,298
Total	**149,895,780**	**93,850,839**

SCHEDULE 16 - OPERATING EXPENSES

₹ '000s

	Year Ended 31-Mar-12	Year Ended 31-Mar-11
I. Payments to and provisions for employees	33,999,068	28,360,445
II. Rent, taxes and lighting	7,161,306	6,262,969
III. Printing and stationery	2,339,263	2,227,794
IV. Advertisement and publicity	1,524,816	1,589,462
V. Depreciation on bank's property	5,425,150	4,974,057
VI. Directors' fees, allowances and expenses	4,423	4,676
VII Auditors' fees and expenses	11,725	10,218
VIII. Law charges	317,465	315,037
IX. Postage, telegram, telephone etc.	3,529,781	3,001,915
X. Repairs and maintenance	6,184,142	5,084,702
XI. Insurance	2,418,023	1,987,777
XII. Other expenditure*	22,985,409	17,710,089
Total	**85,900,571**	**71,529,141**

** Includes marketing expenses, professional fees, travel and hotel charges, entertainment, registrar and transfer agency fees and system management fees.*

SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012.

A BACKGROUND

HDFC Bank Limited ('HDFC Bank' or 'the Bank'), incorporated in Mumbai, India is a publicly held banking company engaged in providing a wide range of banking and financial services including commercial banking and treasury operations. HDFC Bank is a banking company governed by the Banking Regulation Act, 1949. The Bank has overseas branch operations in Bahrain and Hong Kong.

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') issued by the Institute of Chartered Accountants of India ('ICAI') and notified by the Companies Accounting Standard Rules, 2006 to the extent applicable 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. Future 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.

The Bank follows 'Settlement Date' accounting for recording purchase and sale of transactions in securities except in 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 "Held for Trading" 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 the above categories are classified under AFS category.

Acquisition Cost :

In determining acquisition cost of an investment :

- Brokerage, Commission, etc. paid at the time of acquisition, are charged to revenue.
- Broken period interest on debt instruments is treated as a revenue item.
- Cost of investments is based on the weighted average cost method.

Disposal of Investments :

Profit / Loss on sale of investments under the aforesaid three categories is taken to the Statement of Profit and Loss. The profit from sale of investment under HTM category, net of taxes and transfers to statutory reserve is appropriated from Statement of Profit and Loss to "Capital Reserve" in accordance with the RBI Guidelines.

Short Sale :

In accordance with RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. 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 not recognised. Profit / Loss on settlement of the short position is taken to Statement of Profit and Loss.

Valuation:

Investments classified under AFS category and HFT category 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) wherever linked to the YTM rates, is computed 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, Fertiliser 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.

Net depreciation, if any, 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 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 amortized 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 is made thereon based on the RBI guidelines. The depreciation / provision is 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 or Loss Account 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 as interest expense and revenue on reverse repo transactions is accounted 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 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 NPA 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.

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market value of interest rate and foreign exchange derivative contracts and gold at levels stipulated by RBI from time to time. Provision for standard assets held by the Bank is not reversed. 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 Schedule 5 - "Other Liabilities".

Provisions made in excess of these regulatory requirements or provisions which are not made with respect to specific non-performing assets are categorised as floating provisions. Creation of further floating provisions is considered by the Bank up to a level approved by the Board of Directors. Floating provisions are not reversed by credit to Statement of Profit and Loss and can be used only for contingencies under extraordinary circumstances for making specific provisions towards impaired accounts after obtaining Board approval and with prior permission of RBI. Floating provisions have been included under Schedule 5 - "Other Liabilities"

In accordance with the RBI guidelines, the Bank makes provision for the entire amount of overdue and future receivables relating to positive marked to market value of non-performing derivative contracts.

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, 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 Schedule 5 - "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. 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. The Bank also acts as a servicing agent for receivable pools securitised-out.

The RBI issued guidelines on securitisation of standard assets vide its circular dated February 1, 2006. Pursuant to these guidelines, the Bank amortizes any profit / premium arising on account of sale of receivables over the life of the securities sold out while 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.

The Bank also enters into securitised-out transactions through the direct assignment route, 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 Bank amortizes any profit / premium arising on account of sale of receivables through the direct assignment route over the tenure of the loans sold out while 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.

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 debited 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 Bank also invests in PTCs and buys loans through the direct assignment route. These are accounted for at the deal value. The PTCs are classified as investments and loan assignments are classified as advances.

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 rates of depreciation for certain key fixed assets, which are not lower than the rates prescribed in Schedule XIV of the Companies Act, 1956 are given below :

Asset	Depreciation Rate per annum
Owned Premises	1.63%
VSATs	10.00%
ATMs	10.00%
Office equipments	16.21%
Computers	33.33%
Motor cars	25.00%
Software and System development expenditure	20.00%
Assets at residences of executives of the Bank	25.00%

Improvements to lease hold premises are charged off over the remaining primary period of lease.

Items (excluding staff assets) costing less than ₹ 5,000 and point of sale terminals are fully depreciated in the year of purchase.

All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956.

For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Bank.

The Bank undertakes assessment of the useful life of an asset at periodic intervals taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, etc. Whenever there is a revision of the estimated useful life of an asset, the unamortized depreciable amount is charged over the revised remaining useful life of the said asset.

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') 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 the disposal of the net investment in the non-integral foreign operations.

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 contracts for longer maturities i.e. greater than one year are revalued using Mumbai Interbank Forward Offer Rate ('MIFOR') and USD LIBOR (London Interbank Offered Rate) rates for USD-INR currency pair. For other currency pairs, the forward points (as published by FEDAI) are extrapolated. The resulting profit or loss on valuation 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 amortized as expense or income over the life of the contract.

Currency futures contracts are marked to market daily using settlement price on a trading day, which is the closing price of the respective futures contracts on that day. While the daily settlement price is computed 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 futures contract or as may be specified by the relevant authority from time to time. All open positions are marked to market based on the settlement price and the resultant marked to market profit / loss is daily settled with the exchange.

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 at the Balance Sheet date.

7 Derivative Contracts

The Bank recognises all derivative contracts (other than those designated as hedges) at the 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. 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 at the Balance Sheet date.

8 Revenue and Expense 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 is recognised net of commission paid to sales agents (net of non-volume based subvented income from dealers, agents and manufacturers) – (hereafter called “net commission”) for originating fixed tenor retail loans. Net commission paid to sales agents for originating other retail loans is expensed in the year in which it is incurred.

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.

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 equity shares of the Bank to its employees. The Scheme provides that employees are granted an option to acquire equity shares of the Bank that vests in a graded manner. The options may be exercised 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 fair market price of the underlying stock over the exercise price on the grant date as determined under the option plan. The fair market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. Compensation cost, if any is amortised over the vesting period.

Gratuity

The Bank provides for gratuity to all employees. The benefit is in the form of lump sum payments to vested 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. Vesting occurs upon completion of five years 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 (Revised 2005), 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 Managing Director, Executive 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 of 8.33% of employee's basic salary upto a maximum salary level of ₹ 6,500/- 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 a board of trustees. In respect of eLKB employees, the Bank contributes to a fund set up by eLKB and administered by the 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 (revised 2005), Employee Benefits, states that benefits involving employer established provident funds, which requires interest shortfalls to be provided, are to be considered as defined benefit plans. Actuarial valuation of this Provident Fund interest shortfall has been done as per the guidance note issued during the year in this respect by the Actuary Society of India and provision towards this liability has been made.

The overseas branches make contributions 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 balance amount is provided based on actuarial valuation 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 have completed less than 15 years of service, the contribution which was made uptill 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 would be required except for interest as applicable to Provident Fund, which has been provided for.

In respect of the 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 date of movement to CTC structure and provision is made based on actuarial valuation 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. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

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 quoted by supplier is also reflected under commission income.

The Bank also borrows and lends gold, which is treated as borrowing / lending as the case may be with the interest paid / received classified as interest expense / income.

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 in accordance with the AS-19, Leases, issued by the ICAI.

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 and the rules framed there under) and the net change in the deferred tax asset or liability in 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 at the balance sheet date.

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, issued by the ICAI. 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 during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period except where the results are anti-dilutive.

15 Segment Information - Basis of preparation

The disclosure relating to segmental classification conforms to the guidelines issued by RBI. 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 with the help of specialist product groups to such customers. 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, net of commission (net of subvention received) paid to sales agents and interest earned from other segments for surplus funds placed with those segments, fees from services rendered, foreign exchange earnings on retail products etc. Expenses of this segment primarily comprise interest expense on deposits, 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 derivatives 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

Since the Bank does not have material earnings emanating outside India, the Bank is considered to operate in only the domestic segment.

16 Accounting for Provisions, Contingent Liabilities and Contingent Assets

In accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets, issued by the ICAI, 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. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

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

17 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.

SCHEDULE 18 – NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

1. Sub-division of Equity Shares

The shareholders of the Bank at the 17th Annual General Meeting held on July 6, 2011 approved sub-division (split) of one equity share of the Bank from nominal value of ₹ 10/- each into five equity shares of nominal value of ₹ 2/- each. All shares and per share information in the financial statements reflect the effect of sub-division (split) retrospectively.

2 Capital Adequacy

The Bank's Capital to Risk-weighted Asset Ratio ('Capital Adequacy Ratio') is calculated in accordance with the RBI's 'Prudential Guidelines on Capital Adequacy and Market Discipline - Implementation of the New Capital Adequacy Framework' ('Basel II'). Under the Basel II framework, the Bank is required to maintain a minimum capital adequacy ratio of 9% on an on going basis for credit risk, market risk and operational risk, with a minimum Tier I capital ratio of 6%. Further, the minimum capital maintained by the Bank as on March 31, 2012 is subject to a prudential floor, which is the higher of the following amounts :

(a) Minimum capital required as per the Basel II framework.

(b) 80% of the minimum capital required to be maintained under the Basel I framework.

The Bank's capital adequacy ratio, calculated in accordance with the RBI guidelines under both Basel I and Basel II frameworks, is as follows:

(₹ lacs)

Particulars	**As per Basel I Framework**		**As per Basel II Framework**	
	March 31, 2012	**March 31, 2011**	**March 31, 2012**	**March 31, 2011**
Tier I capital	28,113,56	23,770,41	28,067,49	23,718,35
Tier II capital	11,898,97	7,743,81	11,898,97	7,743,81
Total capital	40,012,53	31,514,22	39,966,46	31,462,16
Risk weighted assets	254,764,29	205,720,62	241,896,32	193,960,26
Minimum capital required	22,928,79	18,514,86	21,770,67	17,456,42
Capital Adequacy Ratios				
Tier 1	11.04%	11.56%	11.60%	12.23%
Tier 2	4.67%	3.76%	4.92%	3.99%
Total	15.71%	15.32%	16.52%	16.22%

The Bank's capital funds as on March 31, 2012 are higher than the minimum required under the Basel I and Basel II framework.

The difference between Risk Weighted Assets under the Basel I and Basel II framework is a net impact of the following key changes :

- Under the Basel II framework, risk weights are applicable to claims on corporates corresponding to their external rating or in the absence of it ranging from 20% to 150%, compared to a uniform 100% under Basel I.
- Exposures qualifying for inclusion in the regulatory retail portfolio under Basel II framework attracts a risk weight of 75%, against 100% under Basel I.
- The Basel II framework recognises risk mitigation techniques in the form of eligible financial collaterals such as cash margins, deposits, bonds, gold, debt mutual funds, etc., whilst under Basel I only cash margins and deposits are considered as eligible financial collateral.
- Restructured assets attract a risk weight of 125% under the Basel II framework compared to 100% under Basel I.
- Operational Risk is subject to a capital charge under the Basel II framework.
- Under the Basel II framework, capital is subjected to a charge for valuation adjustment for illiquid position of derivative and non derivative portfolio.

(₹ lacs)

Particulars	March 31, 2012	March 31, 2011
Amount raised by issue of Innovative Perpetual Debt Instruments (IPDI) during the year	-	-
Amount raised by issue of Upper Tier II Instruments during the year	-	1,105,00
Amount raised by issue of Lower Tier II Instruments during the year	3,650,00	-

Subordinated debt (Lower Tier II capital), Upper Tier II capital and innovative perpetual debt instruments outstanding as at March 31, 2012 are ₹ 6,981,00 lacs (previous year: ₹ 3,331,20 lacs), ₹ 3,924,65 lacs (previous year: ₹ 3,861,85 lacs) and ₹ 200,00 lacs (previous year: ₹ 200,00 lacs) respectively.

The details of the bonds raised during the year ended March 31, 2012 are given below:

Particulars	Date of Allotment	Coupon Rate (%)	Tenure	Amount (₹ lacs)
Lower Tier II Bonds	May 12, 2011	9.48	15 Years[1]	3,650,00

Note :

(1) *Call Option exercisable on May 12, 2021 at par with the prior approval of RBI.*

The details of the bonds raised during the year ended March 31, 2011 are given below:

Particulars	Date of Allotment	Coupon Rate (%)	Tenure	Amount (₹lacs)
Upper Tier II Bonds	July 7, 2010	8.70%1	15 Years[2]	1,105,00

Note :

(1) *Coupon rate of 8.70% per annum payable for first 10 years and stepped-up coupon rate of 9.20% per annum for next 5 years if call option is not exercised at the end of 10 years from the date of allotment.*

(2) *Call Option exercisable on July 7, 2020 at par with the prior approval of RBI.*

Based on the balance term to maturity as at March 31, 2012, 93% of the book value of subordinated debt (Lower Tier II capital) and Upper Tier II capital is considered as Tier II capital for the purpose of capital adequacy computation.

Reconciliation of Accounting Capital and Regulatory Capital under Basel II, as on 31 March, 2012 :

(₹ lacs)

Particulars	March 31, 2012	March 31, 2011
(A) Subscribed Capital	469,34	465,23
(B) Reserves and Surplus	29,455,04	24,911,12
(C) Accounting Capital (A+B)	**29,924,38**	**25,376,35**
(D) Innovative Perpetual Debt	200,00	200,00
Adjustments :		
Deferred Tax Asset	*(1,448,89)*	*(1,188,71)*
Securitisation exposures (50% from Tier 1)	*(179,49)*	*(223,18)*
Investment in Subsidiaries (50% from Tier 1)	*(361,81)*	*(356,88)*
Valuation adjustment for illiquid positions	*(46,07)*	*(52,06)*

Particulars	March 31, 2012	March 31, 2011
Others	*(20,63)*	*(37,17)*
(E) Total Adjustments	(2,056,89)	(1,858,00)
(F) Total Tier I Capital (C+D+E)	28,067,49	23,718,35
(G) Total Tier II Capital	11,898,97	7,743,81
Total Regulatory Capital (F+G)	**39,966,46**	**31,462,16**

3 Earnings Per Equity Share

Basic and Diluted earnings per equity share have been calculated based on the net profit after taxation of ₹ 5,167,09 lacs (previous year : ₹ 3,926,40 lacs) and the weighted average number of equity shares outstanding during the year was 233,67,04,062 (previous year : 230,90,34,888) (previous year numbers are restated, refer note 1 to Schedule 18)

Following is the reconciliation between basic and diluted earnings per equity share :

Particulars	For the year ended (₹)	
	March 31, 2012	March 31, 2011
Nominal value per share	2.00	2.00
Basic earnings per share	22.11	17.00
Effect of potential equity shares (per share)	(0.20)	(0.19)
Diluted earnings per share	21.91	16.81

Basic earnings per equity share have been computed by dividing net profit after taxation by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share have been computed by dividing net profit after taxation by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

There is no impact of dilution on 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 year ended	
	March 31, 2012	March 31, 2011
Weighted average number of equity shares used in computing basic earnings per equity share	233,67,04,062	230,90,34,888
Effect of potential equity shares outstanding	2,16,25,067	2,72,75,584
Weighted average number of equity shares used in computing diluted earnings per equity share	235,83,29,129	233,63,10,472

4 Reserves and Surplus

Draw Down from Reserves

There has been no draw down from Reserves during the year ended March 31, 2012 and the year ended March 31, 2011.

General Reserve

The Bank has made an appropriation of ₹ 516,71 lacs (previous year : ₹ 392,64 lacs) out of profits for the year ended March 31, 2012 to General Reserve pursuant to Companies (Transfer of Profits to Reserves) Rules, 1975.

Investment Reserve Account

During the year, the Bank has transferred ₹ 41,69 lacs (net) from Investment Reserve Account to Statement of Profit and Loss. In the previous year, the Bank transferred ₹ 15,56 lacs (net) from Statement of Profit and Loss to Investment Reserve Account.

5 Accounting for Employee Share based Payments

The shareholders of the Bank approved grant of equity share options under Plan "A" in January 2000, Plan "B" in June 2003, Plan "C" in June 2005, Plan "D" in June 2007 and Plan "E" in June 2010. Under the terms of each of these Plans, the Bank may issue Equity Stock Options ('ESOPs') to employees and 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. Plan A provides for the issuance of options at the recommendation of the Compensation Committee of the Board (the "Compensation Committee") at an average of the daily closing prices on the Bombay Stock Exchange Limited during the 60 days preceding the date of grant of options. Plans B, C, D and E provide for the issuance of options at the recommendation of the Compensation Committee at the closing price on the working day immediately preceding the date when options are granted. For Plan B the price is that quoted on an Indian stock exchange with the highest trading volume during the preceding two weeks, while for Plan C, Plan D and Plan E the price is that quoted on an Indian stock exchange with the highest trading volume as of working day preceding the date of grant.

Such options vest at the discretion of the Compensation Committee. These options are exercisable for a period following vesting at the discretion of the Compensation Committee, subject to a maximum of five years, as set forth at the time of grant. Modifications, if any, made to the terms and conditions of ESOPs as approved by the Compensation Committee are disclosed separately.

The eCBoP had granted stock options to its employees prior to its amalgamation with the Bank. The options were granted under the following Schemes framed in accordance with the SEBI (Employee Stock Option Scheme &Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time :

1) Key ESOP

2) General ESOP

The outstanding options granted under each of the above Schemes and the grant prices were converted into equivalent HDFC Bank options and prices in the swap ratio of 1:29 i.e. 1 stock option of HDFC Bank for every 29 stock options granted and outstanding of eCBoP as on May 23, 2008, the effective date of the amalgamation, in accordance with Clause 9.9 of the Scheme of Amalgamation of eCBoP with the Bank. The vesting dates for the said stock options granted in various tranches were revised as per Clause 9.9 of the Scheme. All the aforesaid stock options are exercisable within a period of 5 years from the date of vesting. Key Options were granted at an exercise price, which was less than the then fair market price of the shares. General Options were granted at the fair market price. The fair market price was the latest available closing price, prior to the date of meeting of the Board of Directors in which options were granted or shares were issued, on the stock exchange on which the shares of the Bank were listed. If the shares were listed on more than one stock exchange, then the stock exchange where there was highest trading volume on the said date was considered.

Along with approving the sub-division of the Bank's equity shares, the shareholders at the AGM also approved the consequent adjustments to the stock options to employees under its various schemes such that all employee stock options available for grant (including lapsed and forfeited options available for reissue) and those already granted but not exercised as on record Date were proportionately converted into options for shares of face value of ₹ 2/- each and the grant price of all the outstanding stock options (vested, unvested and unexercised options) on the record Date was proportionately adjusted by dividing the existing grant price by 5. The Record Date for this purpose was fixed as July 16, 2011.

All the numbers in the tables appearing hereinafter pertaining to stock options are given /restated post sub-division of shares as stated above.

Method used for accounting for shared based payment plan

The Bank has elected to use intrinsic value method to account for the compensation cost of stock options to employees and directors of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option. Following is the activity in the options outstanding under the Employee Stock Options Plan as at March 31, 2012 and as at

March 31, 2011. These tables reflect an adjustment effected in the current year to include the effect of options forfeited/lapsed in respect of resigned employees.

Activity in the options outstanding under the Employee Stock Options Plan as at March 31, 2012

Particulars	**Options**	**Weighted Average exercise price (₹)**
Options outstanding, beginning of year	8,59,24,615	325.27
Granted during the year	3,56,03,250	468.67
Exercised during the year	2,05,59,850	*257.91*
Forfeited / lapsed during the year	10,95,275	381.23
Options outstanding, end of year	9,98,72,740	389.52
Options Exercisable	5,64,15,090	332.53

Activity in the options outstanding under the Employee Stock Options Plan as at March 31, 2011

Particulars	**Options**	**Weighted Average exercise price (₹)**
Options outstanding, beginning of year	9,23,47,270	241.54
Granted during the year	3,29,67,500	440.16
Exercised during the year	3,74,12,060	221.36
Forfeited / lapsed during the year	1,978,095	296.38
Options outstanding, end of year	8,59,24,615	325.27
Options Exercisable	5,31,32,115	254.36

Following summarises the information about stock options outstanding as at March 31, 2012

Plan	**Range of exercise price (₹)**	**Number of shares arising out of options**	**Weighted average life of options (in years)**	**Weighted average exercise price (₹)**
Plan A	73.26	-	-	-
Plan B	71.72 to 219.74	19,50,300	*1.16*	*207.68*
Plan C	126.12 to 219.74	34,21,500	*0.93*	*191.41*
Plan D	219.74 to 340.96	264,89,250	*2.12*	*276.03*
Plan E	440.16 to 508.23	6,62,70,250	*1.84*	*203.86*
Key ESOP	23.20	33,595	*1.04*	*23.20*
General ESOP	88.45 to 251.72	17,07,845	*1.88*	*202.65*

Following summarises the information about stock options outstanding as at March 31, 2011

Plan	**Range of exercise price (₹)**	**Number of shares arising out of options**	**Weighted average life of options (in years)**	**Weighted average exercise price (₹)**
Plan A	73.26	49,500	0.69	73.26
Plan B	71.72 to219.74	36,86,000	1.95	197.67
Plan C	126.12 to 219.74	67,15,500	1.72	182.98
Plan D	219.74 to 340.96	4,00,13,250	3.09	275.63
Plan E	440.16	3,27,92,500	4.97	440.16
Key ESOP	23.20	77,595	2.04	23.20
General ESOP	88.45 to 251.72	25,90,270	2.85	201.92

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 estimated the volatility based on the historical share prices. The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2012 are :

Particulars	March 31, 2012	March 31, 2011
Dividend yield	0.65% to 0.70%	0.55%
Expected volatility	29.35%	30%
Risk-free interest rate	8.04% to 8.22%	7.53% to 7.62%
Expected life of the option	1 to 6 years	1 to 6 years

Impact of fair value method on net profit and earnings per share

Had compensation cost for the Bank's stock option plans outstanding 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 :

(₹ lacs)

Particulars	March 31, 2012	March 31, 2011
Net Profit (as reported)	5,167,09	3,926,40
Add : Stock-based employee compensation expense included in net income	-	-
Less : Stock-based compensation expense determined under fair value based method (proforma)	377,83	223,21
Net Profit (proforma)	4,789,26	3,703,19
	(₹)	**(₹)**
Basic earnings per share (as reported)	22.11	17.00
Basic earnings per share (proforma)	20.50	16.04
Diluted earnings per share (as reported)	21.91	16.81
Diluted earnings per share (proforma)	20.31	15.85

6 Other Liabilities

Other liabilities includes contingent provisions towards standard assets of ₹ 910,79lacs (previous year: ₹ 760,29 lacs). In line with RBI guidelines, provision for standard assets has been made @ 0.40% except for Direct advances to Agriculture and SME sectors where provision is made @ 0.25%, for advances to Commercial Real Estate sector where provision is made @ 1%, for restructured standard advances where provision is made @ 2% and for housing loans offered at a comparatively lower rate of interest in the first few years, after which rates are reset at higher rates, where provision is made @ 2%. Provision for standard assets of overseas branches has been made at higher of rates prescribed by the overseas regulator or RBI.

As per the recommendatory provisions of AS-31, Financial Instruments : Presentation, the Bank has grossed up unrealised gain on Foreign Exchange and Derivative Contracts under Other Assets and unrealised loss on Foreign Exchange and Derivative Contracts under Other Liabilities. Accordingly, Other Liabilities as on March 31, 2012 includes unrealized loss on Foreign Exchange and Derivative Contracts of ₹ 12,735,50 lacs (previous year : ₹ 7,369,45 lacs)

7. Investments

- **Value of investments**

(₹ lacs)

Particulars	March 31, 2012	March 31, 2011
Gross value of investments		
-In India	97,709,24	70,883,40
- Outside India	60	88,43
Provisions for Depreciation on Investments		
- In India	226,93	42,46
- Outside India	-	-
Net Value of Investments		
- In India	97,482,31	70,840,94
- Outside India	60	88,43

- **Movement in provisions held towards depreciation on investments**

(₹ lacs)

Particulars	**March 31, 2012**	**March 31, 2011**
Opening balance	42,46	58,42
Add : Provision made during the year (*)	184,51	15,11
Less : Write-off, write back of excess provision during the year	4	31,07
Closing balance	226,93	42,46

** The movement in provision for depreciation on investments is reckoned on a yearly basis.*

- **Repo Transactions**

  - Details of repo / reverse repo deals (in face value terms) done during the year ended March 31, 2012

(₹ lacs)

Particulars	**Minimum Outstanding during the year**	**Maximum Outstanding during the year**	**Daily average Outstanding during the year**	**Outstanding as at March 31, 2012**
Securities sold under repo :				
i. Corporate debt securities	-	-	-	-
ii. Government securities	-	9,800,00	454,36	-
Securities purchased under reverse repo :				
i. Corporate debt securities	-	115,80	13,55	110,80
ii. Government securities	-	524,00	65,16	-

The above excludes deals done under LAF/MSF with the RBI.

  - Details of repo / reverse repo deals (in face value terms) done during the year ended March 31, 2011

(₹ lacs)

Particulars	**Minimum Outstanding during the year**	**Maximum Outstanding during the year**	**Daily average Outstanding during the year**	**Outstanding as at March 31,2011**
Securities sold under repo :				
i. Corporate debt securities	-	-	-	-
ii. Government securities	-	1,700,00	16,36	-
Securities purchased under reverse repo :				
i. Corporate debt securities	-	-	-	-
ii. Government securities	-	1,970,00	10,85	-

The above excludes deals done under LAF with the RBI.

- **Non-SLR Investment Portfolio**

  - Issuer-wise composition of Non-SLR Investments as at March 31, 2012

(₹ lacs)

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	75,00	75,00	-	-	75,00
2	Financial institutions	12,800,56	12,784,57	-	-	-
3	Banks	4,384,09	3,048,09	-	-	-
4	Private corporate	2,060,34	1,885,68	-	142,49	555,75
5	Subsidiaries / Joint ventures	754,82	754,82	-	-	-
6	Others	1,370,94	374,88	-	-	-
7	Provision held towards depreciation	(181,18)	-	-	-	-
	Total	**21,264,57**	**18,923,04**	**-**	**142,49**	**630,75**

**Excludes equity shares, units of mutual fund, Rural Infrastructure Development Fund (‘RIDF’), Priority Sector Lending (‘PSL’)and Weaker Section Lending (‘WSL’) Investments.*

*** Excludes equity shares, units of mutual fund, pass through certificates, security receipts, commercial paper, certificate of deposits.*

▫ Issuer-wise composition of Non-SLR Investments as at March 31, 2011

(₹ lacs)

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	90,05	40,00	-	-	-
2	Financial institutions	9,268,44	9,268,44	-	-	10,00
3	Banks	5,111,68	4,860,96	-	-	-
4	Private corporate	1,505,77	1,503,59	-	66,63	66,80
5	Subsidiaries / Joint ventures	745,10	745,10	-	-	-
6	Others	573,91	573,91	-	-	-
7	Provision held towards depreciation	(17,34)	-	-	-	-
	Total	**17,277,60**	**16,992,00**	**-**	**66,63**	**76,80**

** Excludes equity shares, units of mutual fund, RIDF, PSL and WSL Investments.*

*** Excludes equity shares, units of mutual fund, pass through certificates, security receipts, commercial paper, and certificate of deposits.*

Equity shares and PTC of ₹ 1,324,28 lacs and RIDF / WSL / PSL of ₹ 9,258,43 lacs included in unrated & unlisted categories in the previous year have been excluded to be consistent with the current year’s presentation.

▫ Non performing Non-SLR investments

(₹ lacs)

Particulars	March 31, 2012	March 31, 2011
Opening balance	17,87	2,23
Additions during the year	94,52	15,64
Reductions during the year	-	-
Closing balance	112,39	17,87
Total provisions held	**112,09**	**17,34**

- **Details of investments category-wise**

The details of investments held under the three categories viz. 'Held for Trading', 'Available for Sale' and 'Held to Maturity' is as under:

(₹ lacs)

Particulars	As at March 31, 2012				As at March 31, 2011			
	Held for Trading	Available for Sale	Held to Maturity	Total	Held for Trading	Available for Sale	Held to Maturity	Total
Government securities	6,885,52	22,417,47	46,914,86	76,217,85	103,20	12,410,10	41,137,97	53,651,27
Other approved securities	-	49	-	49	-	49	-	49
Shares	-	84,21	-	84,21	29	93,81	-	94,10
Debentures and Bonds	442,81	520,04	-	962,85	222,88	346,30	53,42	622,60
Subsidiary / joint ventures	-	-	754,82	754,82	-	-	745,10	745,10
Others	1,954,96	4,753,16	12,754,57	19,462,69	2,161,54	13,654,27	-	15,815,81
Total	**9,283,29**	**27,775,37**	**60,424,25**	**97,482,91**	**2,487,91**	**26,504,97**	**41,936,49**	**70,929,37**

- Investments include securities of Face Value (FV) aggregating ₹ 1,345,00 lacs (previous year: FV ₹ 820,00lacs) which are kept as margin for clearing of securities and of FV ₹ 5,732,27 lacs (previous year: FV ₹ 2,150,00 lacs) which are kept as margin for Collateral Borrowing and Lending Obligation (CBLO) with the Clearing Corporation of India Ltd.

- Investments include securities of FV aggregating ₹ 6,00 lacs (previous year : FV ₹ 6,00 lacs) which are kept as margin with National Securities Clearing Corporation of India Ltd. ('NSCCIL') and of FV ₹ 5,00 lacs (previous year : FV ₹ 5,00 lacs) which are kept as margin with MCX – SX Clearing Corporation Ltd.

- Investments having FV amounting to ₹ 25,631,20 lacs (previous year: FV ₹ 30,556,80 lacs) are kept as margin with the RBI towards Real Time Gross Settlement (RTGS).

- Other investments include certificate of deposits : ₹ 4,382,09 lacs (previous year : ₹ 4,854,46 lacs), commercial paper : ₹ 1,039,11 lacs (previous year : ₹ 1,161,17 lacs), investment in debt mutual fund units : ₹ 897,28 lacs (previous year : ₹ Nil), pass through certificates ₹ 338,86 lacs (previous year : ₹ 516,72 lacs), security receipts issued by Reconstruction Companies : ₹ 50,78 lacs (previous year : ₹ 25,04 lacs), deposits with National Bank of Agriculture and Rural Development ("NABARD") under the RIDF Deposit Scheme : ₹ 9,115,48 lacs (previous year : ₹ 6,503,04 lacs), deposits with Small Industries Development Bank of India("SIDBI") and NHB under the Priority / Weaker Sector Lending Schemes : ₹ 3,639,09 lacs (previous year : ₹ 2,755,38 lacs).

- 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, issued by the ICAI, and the said accounting standard is thus not applicable. However, pursuant to RBI circular DBOD. NO. BP.BC.3/21.04.141/2002, dated July 11, 2002, the Bank has classified these investments as joint ventures.

- During financial year ended March 31, 2012, there has been no sale from HTM categories in excess of 5% of the book value of investments held in HTM category at the beginning of the year. There has been no transfer to or from HTM categories during the financial year ended March 31, 2012.

  During the year, the Bank classified its investments of ₹ 9,233,86 lacs in deposits with development banks such as the NABARD and SIDBI, under Held to Maturity category. These deposits were hitherto reported under AFS category.

8 Derivatives

- **Forward Rate Agreements / Interest Rate Swaps**

(₹ lacs)

Sr. No.	Particulars	March 31, 2012	March 31, 2011

Sr. No.	Particulars	March 31, 2012	March 31, 2011
i)	The total notional principal of swap agreements	226,907,33	197,950,87
ii)	Total losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	1,150,56	1,855,86
iii)	Concentration of credit risk arising from swaps (with banks)	77.93%	91.11%
iv)	Collateral required by the Bank upon entering into Swaps	-	-
v)	The fair value of the swap book	(7,15)	(119,59)

The nature and terms of IRS (₹) as on March 31, 2012 are set out below

Nature	Nos.	Notional Principal (₹ lacs)	Benchmark	Terms
Trading	25	860,00	INBMK	Fixed Receivable v/s Floating Payable
Trading	25	1,085,00	INBMK	Floating Receivable v/s Fixed Payable
Trading	4	1,250,00	INCMT	Floating Receivable v/s Fixed Payable
Trading	1	50,00	FIX TO FIX	Fixed Receivable v/s Fixed Payable
Trading	1,400	104,384,88	OIS	Fixed Receivable v/s Floating Payable
Trading	1,415	99,618,45	OIS	Floating Receivable v/s Fixed Payable
Trading	280	12,122,00	MIFOR	Fixed Receivable v/s Floating Payable
Trading	191	7,287,00	MIFOR	Floating Receivable v/s Fixed Payable
Trading	10	250,00	MIOIS	Floating Receivable v/s Fixed Payable
		226,907,33		

The nature and terms of IRS (₹) as on March 31, 2011 are set out below

Nature	Nos.	Notional Principal (₹ lacs)	Benchmark	Terms
Hedging	1	25,00	INBMK	Fixed Receivable v/s Floating Payable
Trading	4	1,250,00	INCMT	Floating Receivable v/s Fixed Payable
Trading	1	50,00	FIX TO FIX	Fixed Receivable v/s Fixed Payable
Trading	26	950,00	INBMK	Fixed Receivable v/s Floating Payable
Trading	28	1,425,00	INBMK	Floating Receivable v/s Fixed Payable
Trading	1,525	85,988,00	OIS	Fixed Receivable v/s Floating Payable
Trading	1,527	86,901,87	OIS	Floating Receivable v/s Fixed Payable
Trading	322	12,621,00	MIFOR	Fixed Receivable v/s Floating Payable
Trading	255	8,740,00	MIFOR	Floating Receivable v/s Fixed Payable

Nature	Nos.	Notional Principal (₹ lacs)	Benchmark	Terms
		197,950,87		

Exchange Traded Interest Rate Derivatives

(₹ lacs)

Sr. No.	Particulars	March 31, 2012	March 31, 2011
i)	The total notional principal amount of exchange traded interest rate derivatives undertaken during the year, instrument-wise (a) 91 days Treasury Bill	2	Nil
ii)	The total notional principal amount of exchange traded interest rate derivatives outstanding as of March 31, instrument-wise	Nil	Nil
iii)	The notional principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective', as of March 31, instrument-wise	Nil	Nil
iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not 'highly effective', as of March 31, instrument-wise	Nil	Nil

- 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 most common types of derivative transactions 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 a 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 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 standardized 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.

Most of 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 derivatives 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 makes various counterparty and market risks limit assessments, 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 derivatives business. The derivatives 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 books is made on the basis of the definitions of the trading and hedging books as specified in the RBI guidelines Ref. No. DBOD. No. BP.(SC). BC.98/21.04.103/99 dated October 7, 1999. The trading book is managed within the trading limits approved by the RPMC.

Hedging policy

For derivative contracts in the hedging book 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. The assessment is done on an on-going basis to test if the derivative is still effective. Hedge effectiveness is 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 hedge may be against a single asset or liability or against a portfolio of asset or liability in specific tenor buckets. The tenor of derivative hedges may be less than or equal to tenor of underlying asset or liability. If the underlying asset or liability is not marked to market, then the hedge is also not marked to market.

- **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 crystalised positive mark-to-market value of a derivative contract are transferred to the account of the borrower and treated as non-performing asset, 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**

(₹ lacs)

Sr. No.	Particular	Currency derivatives		Interest rate derivatives	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
1	Derivatives (Notional Principal Amt) a)Hedging	1,074,81	1,217,21		25,00
	b) Trading	26,330,70	38,140,24	235,233,55	204,588,89
2	Marked to Market Positions (*)				
	a) Asset (+)	589,55	622,76	1,178,29	1,895,30
	b) Liability (-)	(413,58)	(568,15)	(1,235,38)	(2,083,37)
3	Credit Exposure	1,225,81	1,331,41	2,856,75	3,550,27
4	Likely Impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	59	32	-	83
	b) on trading derivatives	13,85	12,66	120,18	130,94
5	Maximum of 100*PV01 observed during the year				
	a) on hedging	76	56	83	21,11
	b) on trading	15,64	18,05	151,46	135,43
6	Minimum of 100*PV01 observed during the year				
	a) on hedging	18	11	-	37
	b) on trading	12,42	12,55	119,66	86,77

(*) As per the recommendatory provisions of AS-31, Financial Instruments: Presentation, Marked to Market position is reported on gross basis from March 31, 2011 onwards.

- The notional principal amount of foreign exchange contracts classified as Hedging and Trading outstanding as on March 31, 2012 amounted to ₹ Nil (previous year : ₹ Nil) and ₹ 564,876,45 lacs (previous year : ₹ 301,417,25 lacs) respectively.

- The notional principal amounts of derivatives reflect the volume of transactions outstanding at balance sheet date and do not represent the amounts at risk.

- For the purpose of this disclosure, currency derivatives include options purchased and sold (including rupee options), cross currency interest rate swaps and currency futures.

- Interest rate derivatives include interest rate swaps and forward rate agreements.

- The Bank has computed maximum and minimum of PV01 for the year based on balances at the end of every month.

- In respect of derivative contracts, the Bank evaluates the credit exposure arising therefrom, in line with the RBI Circular DBOD. NO. BP.BC.57/21.04.157/2008-09 dated October 13, 2008. 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. The factor used is based on the RBI-Basel II grid of credit conversion factors, and is applied on the basis of the residual maturity and the type of contract.

9 Asset Quality

- **Movements in NPAs (funded)**

(₹ lacs)

Particulars		March 31, 2012	March 31, 2011
(i)	Net NPAs to Net Advances (%)	0.18%	0.19%
(ii)	Movement of NPAs (Gross)		
(a)	Opening balance	1,694,34	1,816,76
(b)	Additions (fresh NPAs) during the year	1,574,90	1,450,98
(c)	Reductions during the year:	1,269,85	1,573,40
1)	Upgradations	197,08	252,35
2)	Recoveries (excluding recoveries made from upgraded accounts)	131,45	152,53
3)	Write-offs	941,32	1,168,52
(d)	Closing balance	1,999,39	1,694,34
(iii)	Movement of Net NPAs		
(a)	Opening balance	296,41	392,05
(b)	Additions during the year	176,47	35,12
(c)	Reductions during the year	120,55	130,76
(d)	Closing balance	352,33	296,41
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
(a)	Opening balance	1,397,93	1,424,71
(b)	Additions during the year	1,398,43	1,415,86

Particulars		March 31, 2012	March 31, 2011
(c)	Write-off	941,32	1,168,52
(d)	Write-back of excess provisions	207,98	274,12
(e)	Closing balance	1,647,06	1,397,93

NPAs include all assets that are classified as non-performing by the Bank. Till the year ended March 31, 2011, additions, upgradations or recoveries in retail NPAs were computed at a portfolio level. From the year ended March 31, 2012, these movements are computed at an account/contract level by comparing non-performing accounts outstanding at the beginning and at the end of the year. Previous year's figures have been reclassified accordingly.

- **Sector-wise NPAs**

Particulars	Percentage of NPAs to Total Advances in that sector (%)	
	March 31, 2012	March 31, 2011
Agriculture and allied activities	0.92	0.54
Industry (Micro & small, Medium and Large)	1.30	1.67
Services	0.94	1.59
Personal Loans	0.52	0.55

- Floating provisions of ₹ 1,435,03 lacs (previous year : ₹ 735,03 lacs) have been included under ‘Other Liabilities’. Movement in floating provision is given below :

(₹ lacs)

Particulars	March 31, 2012	March 31, 2011
Opening Balance	735,03	65,03
Provisions made during the year	700,00	670,00
Draw down made during the year	-	-
Closing Balance	1,435,03	735,03

- Details of accounts subjected to restructuring as on March 31, 2012

(₹ lacs except numbers)

Particulars of Accounts Restructured		Outstanding as at March 31, 2012		
		CDR Mechanism	SME Debt Restructuring	Others
Standard Advances restructured	No. of Borrowers	5	-	4
	Amount Outstanding	145,14	-	11,33
	Sacrifice (diminution in the fair value)	740	-	17
Substandard Advances restructured	No. of Borrowers	6	-	1
	Amount Outstanding	302,55	-	13,92
	Sacrifice (diminution in the fair value)	15,11	-	57
Doubtful Advances restructured	No. of Borrowers	6	-	3
	Amount Outstanding	120,52	-	33,80
	Sacrifice (diminution in the fair value)	15,27	-	45
Loss Advances restructured	No. of Borrowers	1	-	-
	Amount Outstanding	10,04	-	-
	Sacrifice (diminution in the fair value)	1,80	-	-
Total	No. of Borrowers*	17	-	8
	Amount Outstanding	578,25	-	59,05

Particulars of Accounts Restructured		Outstanding as at March 31, 2012		
		CDR Mechanism	SME Debt Restructuring	Others
	Sacrifice (diminution in the fair value)	39,58	-	1,19

** Particulars of accounts restructured includes a borrower whose investment in preference shares is classified as substandard and other performing credit facilities granted to the said borrower are not treated as NPA in accordance with RBI guidelines.*

- Details of accounts subjected to restructuring as on March 31, 2011

(₹ lacs except numbers)

Particulars of Accounts Restructured		Outstanding as at March 31, 2011		
		CDR Mechanism	SME Debt Restructuring	Others
Standard Advances restructured	No. of Borrowers Amount Outstanding Sacrifice (diminution in the fair value)	4 184,34 11,00	- - -	4 56,01 70
Substandard Advances restructured	No. of Borrowers Amount Outstanding Sacrifice (diminution in the fair value)	2 44,28 -	- - -	3 25,24 -
Doubtful Advances restructured	No. of Borrowers Amount Outstanding Sacrifice (diminution in the fair value)	4 49,35 -	- - -	1 870 -
Total	No. of Borrowers Amount Outstanding Sacrifice (diminution in the fair value)	10 277,97 11,00	- - -	8 89,95 70

- Details of financial assets sold to securitization /reconstruction companies (SC/RC) for asset reconstruction are as under :

(₹ lacs except numbers)

Particulars	March 31, 2012	March 31, 2011
No of Accounts	Nil	3
Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	5,53
Aggregate consideration	Nil	18,75
Additional consideration realised in respect of accounts transferred in earlier years	Nil	Nil
Aggregate gain over net book value	Nil	13,22

- During the years ended March 31, 2012 and March 31, 2011, there were no non-performing financial assets sold, excluding those sold to SC/RC.

- During the years ended March 31, 2012 and March 31, 2011, there were no non-performing financial assets that were purchased by the Bank.

10 Details of exposures to Real Estate and Capital Market sectors, risk category-wise country exposures, single / group borrower exposures, Unsecured Advances and Concentration of Deposits, Advances, Exposures and NPAs :

- Details of exposure to real estate sector

(₹ lacs)

Category	March 31, 2012	March 31, 2011
Direct Exposure	**20,720,10**	**26,572,67**
(i) Residential mortgages (*) (of which housing loans eligible for inclusion in priority sector advances)	14,263,76 (12,843,01)	19,661,85 (9,791,63)
(ii) Commercial real estate	6,146,90	6,454,23
(iii) Investments in mortgage backed securities (MBS) and other securitised exposures:		
a) Residential	309,44	456,59
b) Commercial real estate	-	-
b) Indirect exposure:	4,300,16	3,704,50
Fund based and non-fund based exposures on National Housing Bank (NHB) and housing finance companies (HFCs)	4,300,16	3,704,50
Total real estate exposure	**25,020,26**	**30,277,17**

(*) includes loans purchased under the direct loan assignment route.

Of the above, exposure to real estate developers is 0.4% (previous year : 0.6%) of total advances.

- **Details of capital market exposure**

(₹ lacs)

Exposure is higher of limits sanctioned or the amount outstanding as at the year end.

Sr. No.	Particulars	March 31, 2012	March 31, 2011
(i)	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	54,97	55,78
(ii)	Advances against shares, bonds, debentures or other securities or on clean basis to individuals for investment in shares (including IPO's/ESOPS), convertible bonds, convertible debentures and units of equity oriented mutual funds	104,27	95,26
(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	1,388,77	1,317,65
(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	78,41	111,99

Sr. No.	Particulars	March 31, 2012	March 31, 2011
	advances		
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	4,671,30	4,425,73
(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	1,008,10	-
(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)	1,70	14,17
	Total Exposure to Capital Market	**7,307,52**	**6,020,58**

- **Details of Risk Category wise Country Exposure**

(₹ lacs)

Particulars	March 31, 2012		March 31, 2011	
Risk Category	Exposure (Net)	Provision held	Exposure (Net)	Provision held
Insignificant	5,684,50	-	4,143,66	-
Low	3,537,80	-	1,597,36	-
Moderately low	400,12	-	190,57	-
Moderate	11,58	-	2,16	-
Moderately high	1,33	-	11,78	-
High	94	-	-	-
Very High	-	-	-	-
Total	**9,636,27**	**-**	**5,945,53**	-

- **Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the Bank**

During the years ended March 31, 2012 and March 31, 2011, the Bank's credit exposure to single borrowers and group borrowers were within the limits prescribed by RBI.

- **Unsecured Advances**

During the years ended March 31, 2012 and March 31, 2011, there are no unsecured

Advances for which intangible securities such as charge over the rights, licenses, authority, etc. has been taken by the Bank.

- **Concentration of Deposits, Advances, Exposures and NPAs**

a) Concentration of Deposits

(₹ lacs)

Particulars	March 31, 2012	March 31, 2011
Total Deposits of twenty largest depositors	21,165,79	18,299,45
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	8.6%	8.8%

b) Concentration of Advances (₹ lacs)

Particulars	March 31, 2012	March 31, 2011
Total Advances to twenty largest borrowers	50,459,18	43,687,61
Percentage of Advances of twenty largest borrowers to Total Advances of the Bank	14.9%	16.1%

Advances comprise credit exposure (funded and non-funded credit limits) including derivative transactions computed as per Current Exposure Method in accordance with RBI guidelines under reference DBOD. No.Dir.BC.7/13.03.00/ 2011-12 - Master Circular – Exposure Norms, dated July 1, 2011.

c) Concentration of Exposures

(₹ lacs)

Particulars	March 31, 2012	March 31, 2011
Total Exposure to twenty largest borrowers / customers	59,358,08	49,449,11
Percentage of Exposure of twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	16.5%	17.1%

Advances comprise credit exposure (funded and non-funded credit limits) including derivative transactions and investment exposure in accordance with RBI guidelines under reference DBOD. No.Dir.BC.7/13.03.00/2011-12 - Master Circular – Exposure Norms, dated July 1, 2011.

d) Concentration of NPAs (₹ lacs)

Particulars	March 31, 2012	March 31, 2011
Total Exposure to top four NPA accounts (Funded)	292,47	305,03

11 Other Fixed Assets (including furniture and fixtures)

- Other fixed assets includes amount capitalised on software having useful life of five years. Details regarding the same are tabulated below

(₹ lacs)

Particulars	March 31, 2012	March 31, 2011
Cost		
As at March 31 of the previous year	706,33	610,57
Additions during the year	123,77	95,80
Deductions during the year	-	4
Total (a)	**830,10**	**706,33**
Depreciation		
As at March 31 of the previous year	456,81	360,29
Charge for the year	106,93	96,56
On deductions during the year	-	4
Total (b)	**563,74**	**456,81**
Net value as at March 31 of the current year (a-b)	**266,36**	**249,52**

12 Other Assets

Other Assets include deferred tax asset (net) of ₹ 1,448,89 lacs (previous year: ₹ 1,188,71 lacs). The break-up of the same is as follows: **(₹ lacs)**

Particulars	March 31, 2012	March 31, 2011
Deferred tax asset arising out of :		
Loan loss provisions	926,03	689,62
Employee Benefits	65,06	56,23
Others	519,81	519,04
Total (a)	**1,510,90**	**1,264,89**
Deferred tax liability arising out of :		
Depreciation	(62,01)	(76,18)
Total(b)	**(62,01)**	**(76,18)**
Deferred tax asset (net) (a-b)	**1,448,89**	**1,188,71**

- Key items under "Others" in Other Assets are as under: **(₹ lacs)**

Particulars	March 31, 2012	March 31, 2011
Unrealised gain on Foreign Exchange and Derivative Contracts (*)	13,279,22	7,582,70
Deferred Tax Assets	1,448,89	1,188,71
Deposits & amounts paid in advance	1,096,42	839,15
Accounts Receivable	720,79	580,45
Margin for LAF with RBI	350,00	300,00
Bullion outstanding (**)	-	414,99
Residuary Items	18,46	31,57
Total	**16,913,78**	**10,937,57**

(*) As per the recommendatory provisions of AS-31, Financial Instruments : Presentation, the Bank has grossed up unrealised gain on Foreign Exchange and Derivative Contracts under Other Assets and unrealised loss on Foreign Exchange and Derivative Contracts under Other Liabilities.

(**) From March 31, 2012, Bullion Outstanding representing stock on consignment is not reflected on the Balance Sheet.

13 Maturity Pattern of Key Assets and Liabilities

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI.

(₹ lacs)

As at March 31, 2012	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	4,590,86	3,897,12	3,436,29	5,602,93	21,689,00	15,679,94	21,102,35	87,736,25	15,087,02	16,598,27	195,420,03
Investments	19,151,21	2,747,12	1,531,68	2,120,47	4,589,17	6,118,01	5,404,05	30,283,24	3,822,34	21,715,62	97,482,91
Deposits	2,425,80	5,810,52	7,032,17	6,707,56	21,192,10	19,813,10	9,623,67	109,965,96	864,61	63,270,96	246,706,45
Borrowings	1,340,40	1,528,96	211,57	168,03	4,623,94	1,736,01	1,017,50	2,474,43	2,501,92	8,243,75	23,846,51
Foreign Currency Assets	744,14	3,304,88	529,40	1,074,89	3,649,66	3,892,58	730,47	2,146,96	1,340,15	333,02	17,746,15
Foreign Currency Liabilities	1,558,13	499,86	263,39	414,03	2,632,30	2,075,80	1,735,10	3,273,15	381,12	508,75	13,341,63

(₹ lacs)

As at March 31, 2011	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	3,080,57	2,889,19	2,111,27	5,366,03	21,684,86	15,214,51	19,494,88	64,413,55	11,953,86	13,773,95	159,982,67
Investments	3,296,51	3,236,65	1,232,92	2,233,43	5,202,50	4,136,80	4,249,40	28,325,87	7,360,94	11,654,35	70,929,37
Deposits	4,501,20	9,834,41	4,382,69	4,805,50	19,598,83	10,480,73	7,605,39	105,687,27	21,444,69	20,245,70	208,586,41
Borrowings	78,42	844,34	458,74	1,269,18	1,696,61	2,267,45	297,30	89,19	1,616,00	5,776,83	14,394,06
Foreign Currency Assets	855,98	1,600,67	365,19	1,209,00	2,952,22	2,214,70	1,611,04	2,012,04	735,31	130,48	13,686,63
Foreign Currency Liabilities	405,41	234,08	496,96	526,87	1,884,29	2,456,87	1,089,12	1,659,17	111,02	445,98	9,309,77

14 Provision, Contingent Liabilities and Contingent Assets

Given below are movements in provisions and a brief description of the nature of contingent liabilities recognized by the Bank.

a) Movement in provision for credit card and debit card reward points

(₹ lacs)

Particulars	March 31, 2012	March 31, 2011
Opening provision for reward points	59,33	34,00
Provision for reward points made during the year	55,10	47,07
Utilisation / Write back of provision for reward points	(22,10)	(18,37)
Effect of change in rate for accrual of reward points	(6,53)	1,78
Effect of change in cost of reward points	-	(5,15)
Closing provision for reward points	85,80	59,33

b) Movement in provision for legal and other contingencies (₹ lacs)

Particulars	March 31, 2012	March 31, 2011
Opening provision	316,60	271,28
Movement during the year (net)	(30,57)	45,32
Closing provision	286,03	316,60

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.

Sr. No.	Contingent liability*	Brief description
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 customers of the Bank. 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

**Also refer Schedule 12 - Contingent liabilities*

15 Business Ratios / Information

Particulars	March 31, 2012	March 31, 2011
Interest income as a percentage to working funds[1]	9.37%	8.04%
Net interest income as a percentage to working funds	4.22%	4.25%
Non-interest income as a percentage to working funds	1.80%	1.75%
Operating profit[2] as a percentage to working funds	3.07%	3.12%
Return on assets (average)	1.77%	1.58%
Business[3] per employee (₹ lacs)	6,54	6,53
Profit per employee[4] (₹ lacs)	8.12	7.37
Percentage of net non-performing assets[5] to customer assets[6]	0.18%	0.18%
Percentage of net non-performing assets to net advances[7]	0.18%	0.19%
Gross non-performing assets to gross advances	1.02%	1.05%
Provision Coverage Ratio[8]	82.38%	82.51%

Definitions:

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. *Net NPAs are non-performing assets net of interest in suspense, specific loan loss 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.*

6. *Customer assets include net advances, credit substitutes like debentures, commercial papers and loans and investments in securitised assets bought in.*

7. *Net advances are equivalent to gross advances net of bills rediscounted, specific loan loss provisions, interest in suspense, 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.*

16 Interest Income

Interest income under the sub-head Income from Investments includes dividend received during the year ended March 31, 2012 on units of mutual funds, equity and preference shares amounting to ₹ 299,61 lacs (previous year : ₹ 187,88 lacs).

17 Earnings from Standard Assets Securitised-out

During the years ended March 31, 2012 and March 31, 2011, 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 (PTCs). The total value of credit enhancement outstanding in the books as at March 31, 2012 was ₹ 358,97 lacs (previous year : ₹ 446,21 lacs) and liquidity enhancement was ₹ 8,10 lacs (previous year : ₹ 16,65 lacs). Outstanding servicing liability was ₹ 40 lacs (previous year: ₹ 62 lacs).

18 Other Income

- **Commission, Exchange and Brokerage income**

  - Commission, exchange and brokerage income is net of correspondent bank charges

  - Commission income includes fees / remuneration (net of service tax) of ₹ 563,13 lacs (previous year : ₹ 713,25 lacs) in respect of the bancassurance business undertaken by the Bank during the year.

- **Miscellaneous Income**

  Miscellaneous income includes loss of ₹ 126,53 lacs (previous year : ₹ 134,50 lacs) pertaining to derivative transactions.

19 Other Expenditure

Other expenditure includes outsourcing fees amounting to ₹ 516,40 lacs (previous year: ₹ 419,38 lacs) exceeding 1% of the total income of the Bank. Further, during previous year, expenses on collections and recoveries amounting to ₹ 320,74 lacs was exceeding 1% of the total income of the Bank.

20 The break-up of 'Provisions and contingencies' included in the Statement of Profit and Loss is given below :

(₹ lacs)

Particulars	**March 31, 2012**	**March 31, 2011**
Provision for Income Tax		
- Current	2,606,25	2,237,46
- Deferred	(260,18)	(345,20)
Provision for Wealth tax	55	60
Provision for NPAs	651,58	763,02
Provision for diminution in value of Non performing Investments	93,40	-
Provision for Standard Assets	150,50	-
Other Provisions and Contingencies*	541,22	1,143,09
Total	**3,783,32**	**3,798,97**

* Includes (write-back) / provisions for tax, legal and other contingencies ₹ (16,449) lacs (previous year : ₹ 474,90 lacs), Floating Provisions ₹ 700,00 lacs (previous year : ₹ 670,00 lacs), securitised-out assets ₹ 9,84 lacs (previous year : ₹ 2,59 lacs) and restructured assets ₹ (4,13) lacs (previous year : ₹ (4,40) lacs).

21 Employee Benefits

Gratuity

(₹ lacs)

Particulars	**March 31, 2012**	**March 31, 2011**
Reconciliation of opening and closing balance of the present value		
of the defined benefit obligation		
Present value of obligation as at April 1	136,08	99,20
Interest cost	11,57	7,80
Current service cost	28,36	26,95
Benefits paid	(9,14)	(8,17)
Actuarial (gain) / loss on obligation :		
Experience adjustment	1,25	9,56
Assumption change	(1,82)	74
Present value of obligation as at March 31	**166,30**	**136,08**
Reconciliation of opening and closing balance of the fair value of the plan		
assets		
Fair value of plan assets as at April 1	66,00	51,74
Expected return on plan assets	6,31	2,36
Contributions	29,62	20,06
Benefits paid	(9,14)	(83,17)
Actuarial gain / (loss) on plan assets :		
Experience adjustment	(93)	1
Assumption change	-	-
Fair value of plan assets as at March 31	**91,86**	**66,00**
Amount recognised in Balance sheet		
Fair value of plan assets as at March 31	91,86	66,00
Present value of obligation as at March 31	(166,30)	(136,08)
Asset / (Liability) as at March 31	**(74,44)**	**(70,08)**
Expenses recognised in Statement of Profit and Loss		

Particulars	March 31, 2012	March 31, 2011
Interest Cost	11,57	7,80
Current Service cost	28,36	26,95
Expected return on plan assets	(6,31)	(2,35)
Net Actuarial (gain) / loss recognised in the year	36	10,29
Net Cost	**33,98**	**42,69**
Actual return on plan assets	5,39	2,37
Estimated contribution for the next year	41,01	17,21
Assumptions		
Discount rate	8.8% per annum	8.2% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	9.0% Per annum	8.5% per annum

Experience Adjustment

(₹ lacs)

Particulars	Year ended March31, 2012	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008
Plan assets	91,86	66,00	51,74	45,38	22,37
Defined benefit obligation	166,30	136,08	99,20	72,57	38,09
Surplus/(deficit)	(74,44)	(70,08)	(47,46)	(27,19)	(15,72)
Experience adjustment gain/(loss) on plan assets	(93)	1	7,40	(3,68)	(1,03)
Experience adjustment(gain)/loss on plan liabilities	1,25	9,56	(5,02)	(8,53)	(1,15)

Pension

(₹ lacs)

Particulars	March 31, 2012	March 31, 2011
Reconciliation of opening and closing balance of the present value		
of the defined benefit obligation		
Present value of obligation as at April 1	57,38	40,70
Interest cost	4,61	3,05
Current service cost	1,51	1,76
Benefits paid	(10,09)	(6,99)
Actuarial (gain) / loss on obligation :		
Experience adjustment	1,36	18,50
Assumption change	2,08	36
Present value of obligation as at March 31	**56,85**	**57,38**
Reconciliation of opening and closing balance of the fair value of the plan		
assets		
Fair value of plan assets as at April 1	43,35	38,78
Expected return on plan assets	3,78	3,28
Contributions	15,39	5,43
Benefits paid	(10,09)	(6,99)
Actuarial gain / (loss) on plan assets :		

Particulars	March 31, 2012	March 31, 2011
Experience adjustment	(1,29)	2,85
Assumption change	-	-
Fair value of plan assets as at March 31	**51,14**	**43,35**
Amount recognised in Balance sheet		
Fair value of plan assets as at March 31	51,14	43,35
Present value of obligation as at March 31	(56,85)	(57,38)
Asset / (Liability) as at March 31	**(5,71)**	**(14,03)**
Expenses recognised in Statement of Profit and Loss		
Interest Cost	4,61	3,05
Current Service cost	1,51	1,76
Expected return on plan assets	(3,78)	(3,28)
Net Actuarial (gain) / loss recognised in the year	4,73	16,01
Net Cost	**7,07**	**17,54**
Actual return on plan assets	2,49	6,13
Estimated contribution for the next year	6,28	35
Assumptions		
Discount rate	8.8% per annum	8.2% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	9.0% per annum	8.5% per annum

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. The Bank's investments have been made in insurance funds and securities.

The Bank does not have any unfunded defined benefit plan.

The Bank contributed ₹ 116,54 lacs (previous year : ₹ 92,88 lacs) to the provident fund and ₹ 32,71 lacs (previous year : ₹ 25,86 lacs) to the superannuation plan.

Experience Adjustment *

(₹ lacs)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2009
Plan assets	51,14	43,35	38,78	36,90
Defined benefit obligation	56,85	57,38	40,70	34,60
Surplus/(deficit)	(5,71)	(14,03)	(1,92)	2,30
Experience adjustment gain/(loss) on plan assets	(1,29)	2,85	2,78	(2,69)
Experience adjustment (gain)/loss on plan liabilities	1,36	18,50	2,12	(8,06)

** Pension liability relates to employees of eLKB which was merged with eCBOP. Since eCBOP was merged with the Bank in the year ended March 31, 2009, there are no figures for financial year ended March 31, 2008.*

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 Actuary Society of India (ASI) 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 has made a provision of ₹ 9,77 lacs towards the present value of the guaranteed interest benefit obligation. The actuary has followed Deterministic approach as prescribed by the guidance note.

Assumptions:

Discount rate (GOI security yield)	8.8% per annum
Expected guaranteed interest rate	8.3% (1 year) & Average 8.6% thereafter

The Guidance note on valuation of interest rate guarantee embedded in Provident fund issued by ASI is effective from April 1, 2011. In the absence of any valuation guidance for the earlier periods, the obligation has not been valued for the last four years.

Compensated Absences

The actuarial liability of compensated absences of accumulated privileged and sick leaves of the employees of the Bank as of March 31, 2012 is given below: **(₹ lacs)**

Particulars	March 31, 2012	March 31, 2011
Privileged leave	169,98	131,86
Sick leave	34,98	26,36
Total actuarial liability	204,96	158,22
Assumptions		
Discount rate	8.8% per annum	8.2% per annum
Salary escalation rate	9% per annum	8.5% per annum

22 Segment Reporting

Segment Reporting for the year ended March 31, 2012 is given below : **(₹ lacs)**

S No.	Particulars	Treasury	Retail Banking	Wholesale Banking	Other banking Operations	Total
1	Segment Revenue	7,823,56	26,529,26	15,804,29	2,900,78	53,057,89
2	Unallocated Revenue					96,48
3	Less: Inter-segment revenue					20,624,33
4	Income from Operations (1) + (2) – (3)					32,530,04
5	Segment results	381,99	3,486,82	3,271,85	1,277,54	8,418,20
6	Unallocated expenses					905,05
7	Income Tax expense (including deferred tax)					2,346,08
8	Net profit (5) – (6) – (7)					5,167,07
9	Segment assets	121,349,00	112,840,91	92,710,51	7,521,95	334,422,37
10	Unallocated assets					3,487,12
11	Total assets (9) + (10)					337,909,49
12	Segment liabilities	26,142,72	189,990,26	76,404,04	727,56	293,264,58
13	Unallocated liabilities					14,720,53
14	Total liabilities (12) + (13)					307,985,11
15	Capital Employed (9) - (12)	95,206,28	(77,149,35)	16,306,47	6,794,39	41,157,79
	(Segment Assets - Segment Liabilities)					
16	Unallocated (10) - (13)					(11,233,41)
	Total (15) + (16)					2,992,438
17	Capital expenditure	43,29	539,74	78,93	60,41	72,237
18	Depreciation	36,54	3,65,44	75,09	65,45	542,52

Segment Reporting for the year ended March 31, 2011 is given below

: (₹ lacs)

S. No.	Particulars	Treasury	Retail Banking	Wholesale Banking	Other Banking Operations	Total
1	Segment Revenue	5,391,16	19,505,03	11,612,89	2,483,69	38,992,77
2	Less : Inter Segment Revenue					14,729,41
3	Income from Operations (1) - (2)					24,263,36
4	Segment Results	96,12	3,014,57	2,423,31	1,018,36	6,552,36
5	Unallocated Expenses					733,71
6	Income Tax expense (including deferred tax)					1,892,26
7	Net Profit (4) - (5) - (6)					3,926,39
8	Segment Assets	95,392,16	88,065,88	85,074,76	5,293,65	273,826,45
9	Unallocated Assets					3,526,14
10	Total Assets (8) + (9)					277,352,59
11	Segment Liabilities	15,369,43	147,061,74	75,414,37	502,68	238,348,22
12	Unallocated Liabilities					13,628,01
13	Total Liabilities (11) + (12)					251,976,23
14	Capital Employed (8) - (11)	80,022,73	(58,995,86)	9,660,39	4,790,97	35,478,23
15	Unallocated (9) - (12)					(10,101,87)
16	Total (14) + (15)					25,376,36
17	Capital Expenditure	60,73	423,87	90,04	23,92	598,56
18	Depreciation	53,98	324,36	87,52	31,55	497,41

An amount of ₹ 5,003,64 lacs pertaining to grossed up unrealised gain on foreign exchange and derivatives contracts has been reclassified from 'Unallocated' to 'Treasury' segment in the Segmental capital employed (asset - liabilities) as at March 31, 2011.

23 Related Party Disclosures

As per AS-18, Related Party Disclosure, issued by the ICAI, the Bank's related parties are disclosed below :

Promoter
Housing Development Finance Corporation Limited

Enterprises under common control of the promoter
HDFC Asset Management Company Limited
HDFC Standard Life Insurance Company Limited
HDFC Developers Limited
HDFC Holdings Limited
HDFC Investments Limited
HDFC Trustee Company Limited
GRUH Finance Limited
HDFC Realty Limited
HDFC ERGO General Insurance Company Limited
HDFC Venture Capital Limited
HDFC Ventures Trustee Company Limited
HDFC Sales Private Limited
HDFC Property Ventures Limited
HDFC Asset Management Company (Singapore) Pte. Limited
Griha Investments
Credila Financial Services Private Limited
HDFC Education and Development Services Private Limited

Subsidiaries

HDFC Securities Limited
HDB Financial Services Limited

Associates
Atlas Documentary Facilitators Company Private Limited
HBL Global Private Limited
Centillion Solutions and Services Private Limited (ceased to be an associate from December 31, 2011)
International Asset Reconstruction Company Private Limited

Welfare Trust of the Bank
HDB Employees Welfare Trust

Key Management Personnel
Aditya Puri, Managing Director
Paresh Sukthankar, Director
Harish Engineer, Director

Related Parties to Key Management Personnel

Salisbury Investments Private Limited, Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad, Sudha Engineer, Shreematiben Engineer, Nikhil Engineer, Uma Engineer, Mahesh Engineer.

In accordance with paragraph 5 of AS 18, the Bank has not disclosed certain transactions with Key Management Personnel and 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, 2012 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 :

- Purchase of fixed assets : HBL Global Private Limited ₹ 20 lacs (previous year : ₹ 10 lacs); HDFC Securities Limited - Nil (previous year : ₹ 59lacs).

- Sale of fixed assets : HDB Financial Services Limited ₹ 14 lacs (previous year : Nil); Atlas Documentary Facilitators Company Private Limited ₹ 13lacs (previous year : Nil).

- Interest paid : Housing Development Finance Corporation Limited ₹ 7,55 lacs (previous year : ₹ 4,88 lacs); HDFC Securities Limited - Nil (previous year : ₹ 2,37 lacs). HDFC ERGO General Insurance Company Limited ₹ 2,04 lacs (previous year : Nil); Atlas Documentary Facilitators Company Private Limited ₹ 4,04 lacs (previous year : ₹ 2,05 lacs).

- Interest received : HDB Financial Services Limited ₹ 44,09 lacs (previous year : ₹ 22,94 lacs).

- Rendering of Services : Housing Development Finance Corporation Limited ₹ 106,97 lacs (previous year : ₹ 96,47 lacs); HDFC Standard Life Insurance Company Limited ₹ 456,37 lacs (previous year : ₹ 669,64 lacs); HDFC ERGO General Insurance Company Limited ₹ 110,44 lacs (previous year : ₹ 77,99 lacs)

- Receiving of Services : HBL Global Private Limited ₹ 360,40 lacs (previous year : ₹ 290,19 lacs); Atlas Documentary Facilitators Company Private Limited ₹ 324,43 lacs (previous year : ₹ 266,66 lacs).

- Dividend paid : Housing Development Finance Corporation Limited ₹ 129,76 lacs (previous year : ₹ 94,37 lacs); HDFC Investments Limited ₹49,50 lacs (previous year : ₹ 36,00 lacs);

  During the year, the Bank purchased 6,851,61 shares of HDFC Securities Limited for ₹ 9,87 lacs from HDB Employees Welfare Trust. The deposit outstanding from HDB Employees Welfare Trust as of March 31, 2012 was ₹ 44,59 lacs (March 31, 2011 : ₹ 34,13 lacs). The Bank also paid interest on deposit from HDB Employees Welfare Trust aggregating to ₹ 2,85 lacs (previous year : ₹ 2,10 lacs).

The Bank's related party balances and transactions for the year ended March 31, 2012 are summarized as follows :

(₹ lacs)

Items / Related Party	Promoter	Enterprises under Common Control of the Promoter	Subsidiaries	Associates	Key Management Personnel	Total
Deposits taken	2,110,77 (2,110,77)	360,10 (360,10)	141,44 (171,46)	45,71 (45,71)	10,83 (10,83)	2,668,85 (2,698,87)
Deposits placed	15 (15)	-	9,76 (9,76)	30,95 (77,60)	2,22 (2,22)	43,08 (89,73)
Advances given	-	-	518,22 (518,22)	27,90 (34,36)	73 (73)	546,85 (553,31)
Fixed assets purchased from	-	-	-	20	-	20
Fixed assets sold to	-	-	14	13	-	27
Interest paid to	7,55	2,36	1,38	4,15	43	15,87
Interest received from	-	-	44,09	1,39	3	45,51
Income from services rendered to	106,97	619,73	10,52	20,93	-	758,15
Expenses for receiving services from	24,79	36,62	57,08	685,50	60	804,59
Equity / Other Investments	-	-	723,62 (723,62)	66,13 (66,58)	-	789,75 (790,20)
Dividend paid to	129,76	49,50	-	-	-	179,26
Dividend received from	-	-	57	1	-	58
Receivable from	13,65 (13,65)	77,32 (77,32)	26 (1,21)	(7,15)	-	91,23 (99,33)
Payable to	8,35 (8,35)	-	6,31 (6,63)	50,89 (63,32)	-	65,55 (78,30)
Remuneration paid	-	-	-	-	9,98	9,98
Loans purchased from	4,977,62	-	28,40	-	-	5,006,02

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 certain parties which includes the promoter and related group companies. 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, 2012 is ₹ 250,00 lacs (previous year : ₹ 250,00 lacs). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is ₹ 15,23 lacs (previous year : ₹ 11,08 lacs).

The Bank's related party balances and transactions for the year ended March 31, 2011 are summarized as follows:

(₹ lacs)

Items / Related Party	Promoter	Enterprises under Common Control of the Promoter	Subsidiaries	Associates	Key Management Personnel	Total
Deposits taken	1,619,82	192,42	271,02	45,59	7,21	2,136,06
	(1,619,82)	(320,00)	(271,02)	(53,26)	(12,88)	(2,276,98)
Deposits placed	15 (15)	34 (34)	9,76 (9,76)	30,60 (32,55)	2,22 (2,22)	43,07 (45,02)
Advances given	-	-	411,37 (411,37)	-	73 (73)	412,10 (412,10)
Fixed assets purchased from	-	-	66	10	-	76
Interest paid to	4,88	1,00	2,40	2,08	18	10,54
Interest received from	-	-	22,94	-	4	22,98
Income from services rendered to	96,47	794,50	12,04	20,98	-	923,99
Expenses for receiving services from	17,48	31,29	46,27	559,02	60	654,66
Equity / Other Investments	-	-	713,76 (713,76)	40,15 (42,64)	- -	753,91 (756,40)
Dividend paid to	94,37	36,00	-	-	-	130,37
Dividend received from	-	-	44	-	-	44
Receivable from	8,29 (9,59)	53,14 (122,56)	17 (1,99)	- (4,30)	-	61,60 (138,44)
Payable to	-	-	7,63 (11,74)	38,52 (63,21)	- -	46,15 (74,95)
Guarantees given	-	-	7,00 (13,00)	- -	- -	7,00 (13,00)
Remuneration paid	-	-	-	-	8,27	8,27
Loans Purchased from	4,378,97	-	-	-	-	4,378,97
Financial Assets sold to securitization/ reconstruction company	-	-	-	10,75	-	10,75

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.

24 Leases

Operating leases primarily comprise office premises, staff residences and ATMs, which are renewable at the option of the Bank. The details of maturity profile of future operating lease payments are given below :

(₹ lacs)

Period	March 31, 2012	March 31, 2011
Not later than one year	515,21	437,89
Later than one year and not later than five years	1,743,06	1,475,80
Later than five years	731,13	631,40

Period	March 31, 2012	March 31, 2011
Total	**2,989,40**	**2,545,09**
The total of minimum lease payments recognised in the Statement of Profit and Loss Account for the year	538,20	463,07
Total of future minimum sub-lease payments expected to be received under non-cancellable subleases	66,47	74,28
Sub-lease payments recognised in the Statement of Profit and Loss for the year	24,17	18,13

During the previous year, the Bank has entered into an operating lease agreement with acounter-party for leasing certain assets. These are in the process of being deployed. The future lease payment for this lease is linked to volume of usage of the leased assets and accordingly, the future minimum lease payments cannot be estimated at this stage.

The Bank has sub-leased certain of its properties taken on lease. There are no provisions relating to contingent rent.

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.

25 Penalties levied by the RBI

The RBI issued a show cause notice in October 2010 to the Bank for having contravened the guidelines issued by the RBI and provisions of Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulation 2000 in respect of derivative deals done by the Bank as observed in its annual financial inspection of the Bank with respect to its financial position as at and for the years ended March 31, 2007 and March 31, 2008. Subsequently, the Bank, vide its letter dated October 19, 2010, submitted a detailed response to the RBI explaining the Bank's position and clarifying that the Bank was in compliance with the RBI guidelines. While RBI accepted some of the submissions made by the Bank, few other submissions made in the matter were not accepted by RBI. RBI, accordingly, imposed a penalty of ₹ 15 lacs for non-compliance of the RBI's directions and instructions in terms of Section 47A(1)(b) read with Section 46(4) of the Banking Regulation Act 1949. The stated amount was paid by the Bank during the fiscal year ended 2012.

26 Dividend in respect of shares to be allotted on exercise of stock options

Any allotment of shares after the balance sheet date but before the book closure date pursuant to the exercise of options during the said period will be eligible for full dividend, if approved at the ensuing Annual General Meeting.

27 Disclosure for customer complaints / unimplemented awards of Banking Ombudsman

Customer complaints

Particulars		**March 31, 2012**	**March 31, 2011**
(a)	No. of complaints pending at the beginning of the year	1,124	1,900
(b)	No. of complaints received during the year	138,769	157,857
(c)	No. of complaints redressed during the year	138,457	158,633
(d)	No. of complaints pending at the end of the year	1,436	1,124

Unimplemented awards of Banking Ombudsmen

Particulars		**March 31, 2012**	**March 31, 2011**
(a)	No. of unimplemented awards at the beginning of the year	Nil	Nil
(b)	No. of awards passed by the Banking Ombudsmen during the year	1	7
(c)	No. of awards implemented during the year	1	7
(d)	No. of unimplemented awards at the end of the year	Nil	Nil

28 Disclosure of Letter of Comforts (LoCs) issued by the Bank

The Bank has not issued any Letter of Comfort during the years ended March 31, 2012 and March 31, 2011.

29 Changes in Accounting Estimates

Useful Life of Fixed Assets

During the previousyear ended March 31, 2011, the Bank revised the estimated useful life of point of sale machines and certain information technology servers. Depreciation on these assets is charged prospectively over the revised useful life of the asset. Consequently, profit after tax for the previous year was lower by ₹ 39,05lacs.

30 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.

31 Overseas Assets, NPAs and Revenue (₹lacs)

Particulars	March 31, 2012	March 31, 2011
Total Assets	8,693,39	5,207,59
Total NPAs	Nil	Nil
Total Revenue	227,26	102,90

32 There are no Off-Balance Sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.

33 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

C. M. Vasudev
Chairman

Aditya Puri
Managing Director

Sanjay Dongre
Executive Vice President (Legal) &
Company Secretary

Harish Engineer
Executive Director

Parekh Sukthankar
Executive Director

A. N. Roy
Ashim Samanta
Bobby Parikh
Dr. Pandit Palande
Keki Mistry
Partho Datta
Renu Karnad
Directors

Mumbai, 18 April, 2012

Independent Auditor's Report

To the Board of Directors of HDFC Bank Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of HDFC Bank Limited ('the Bank') and its subsidiaries and associates (collectively known as 'the Group'), which comprise the consolidated Balance Sheet as at 31 March 2014 and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control 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.

Auditor's Responsibility

3. We did not audit the financial statements and other financial information of the subsidiaries of the Group whose financial statements reflect total assets of ₹ 92,402 lacs as at 31 March 2014, total revenues of ₹ 26,847 lacs and cash flows of ₹ 3,392 lacs for the year then ended. These financial statements have been audited by other auditors, whose reports have been furnished to us and were relied upon by us for our opinion on the consolidated financial statements of the Group.

4. The financial statements also include ₹ 272 lacs being the Group's proportionate share in the profit of associates which has been recognised on the basis of the audited financial statements available with the Bank. These financial statements have been audited by other auditors, whose reports have been furnished to us and were relied upon by us for our opinion on consolidated financial statements of the Group.

5. The financial statements also include ₹ 91 lacs being the Group's proportionate share in the profit of associates which has been recognised on the basis of the unaudited financial statements available with the Bank.

6. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Institute of Chartered Accountants of India. 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 of material misstatements.

7. An audit involves performing procedures to obtain 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 control relevant to the Group's preparation and presentation 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 accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

8. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

9. We report that the Consolidated Financial Statements have been prepared by the Bank in accordance with the requirements of Accounting Standards (AS) 21, 'Consolidated financial statements',

Accounting Standards (AS) 23, 'Accounting for Investments in Associates in Consolidated Financial Statements' notified pursuant to the Companies (Accounting Standards) Rules, 2006.

10. The Balance Sheet and the Statement of Profit and Loss and the Cash Flow Statement have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.

11. Based on our audit and to the best of our information and according to the explanations given to us and on the consideration of reports of other auditors on separate financial statements and on the consideration of the unaudited financial statements and on other relevant financial information of the components, we are of the opinion that the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India and guidelines issued by Reserve Bank of India in relation to preparation of consolidated financial statements:

    (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2014;

    (b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and

    (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W

Akeel Master
Partner
Membership No: 046768

Mumbai
April 22, 2014

Consolidated Balance Sheet as at March 31, 2014

₹ in '000

	Schedule	As at 31-Mar-14	As at 31-Mar-13
CAPITAL AND LIABILITIES			
Capital	1	4,798,101	4,758,838
Reserves and surplus	2	436,868,201	361,668,439
Minority interest	2A	1,517,355	2,213,370
Deposits	3	3,670,803,323	2,960,917,699
Borrowings	4	495,967,176	394,966,127
Other liabilities and provisions	5	426,245,464	352,705,377
Total		**5,036,199,620**	**4,077,229,850**
ASSETS			
Cash and balances with Reserve Bank of India	6	253,572,162	146,308,790
Balances with banks and money at call and short notice	7	145,562,120	129,002,845
Investments	8	1,195,710,628	1,109,604,124
Advances	9	3,154,188,602	2,472,451,151
Fixed assets	10	30,262,787	27,733,162
Other assets	11	256,903,321	192,129,778
Total		**5,036,199,620**	**4,077,229,850**
Contingent liabilities	12	7,231,729,138	7,201,238,793
Bills for collection		209,430,623	261,039,630
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 **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.: 101248W

Akeel Master
Partner

Membership No.: 046768
Mumbai, April 22, 2014

For and on behalf of the Board

C. M. Vasudev
Chairman

Aditya Puri
Managing Director

Paresh Sukhtankar
Deputy Managing Director

Kaizad Bharucha
Executive Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Sashidhar Jagdishan
Chief Financial Officer

Bobby Parikh
Partho Datta
Pandit Palande
Vijay Merchant
Keki Mistry
Renu Karnad
Directors

Consolidated Statement of Profit and Loss Account for the year ended March 31, 2014

₹ in '000

	Schedule	Year ended 31-Mar-14	Year ended31-Mar-13
I. INCOME			
Interest earned	13	425,550,196	358,610,213
Other income	14	82,975,016	71,329,645
Total		**508,525,212**	**429,939,858**
II. EXPENDITURE			
Interest expended	15	234,454,516	196,954,474
Operating expenses	16	124,696,542	115,518,963
Provisions and contingencies		61,729,097	48,463,621
Total		**420,880,155**	**360,937,058**
III. PROFIT			
Net profit for the year		87,645,057	69,002,800
Less : Minority interest		246,523	335,233
Add : Share in profits of associates		36,316	28,818
Consolidated profit for the year attributable to the Group		87,434,850	68,696,385
Balance in Profit and Loss account brought forward		114,759,351	86,213,878
Total		**202,194,201**	**154,910,263**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		21,614,541	17,020,712
Proposed dividend		16,433,495	13,096,639
Tax (including cess) on dividend		2,849,723	2,227,394
Dividend (including tax/cess thereon) pertaining to previous year paid during the year		48,462	44,748
Transfer to General Reserve		8,558,376	6,726,285
Transfer to Capital Reserve		582,710	858,498
Transfer to Investment Reserve Account		32,218	176,636
Balance carried over to Balance Sheet		152,074,676	114,759,351
Total		**202,194,201**	**154,910,263**
V. EARNINGS PER EQUITY SHARE (Face value ₹ 2 per share)			
Basic		36.58	29.10
Diluted		36.31	28.78
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 **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.: 101248W

For and on behalf of the Board

C. M. Vasudev
Chairman

Aditya Puri
Managing Director

Paresh Sukhtankar
Deputy Managing Director

Kaizad Bharucha
Executive Director

Bobby Parikh
Partho Datta
Pandit Palande
Vijay Merchant
Keki Mistry
Renu Karnad

Akeel Master	**Sanjay Dongre**	**Sashidhar Jagdishan**	*Directors*
Partner	Executive Vice President (Legal) & Company Secretary	Chief Financial Officer	

Membership No.: 046768
Mumbai, April 22, 2014

Consolidated Cash Flow Statement for the year ended March 31, 2014

₹ in '000

Particulars	Year Ended 31-Mar-14	Year Ended 31-Mar-13
Cash flows from operating activities		
Net profit before income tax	**131,896,428**	**99,733,715**
Adjustments for:		
Depreciation on fixed assets	6,886,804	6,632,647
(Profit) / Loss on revaluation of investments	(65,078)	(348,627)
Amortisation of premia on Held to Maturity investments	806,470	582,183
Provision/Charge for Non Performing Assets	18,506,221	13,403,040
Floating Provisions	576,750	4,266,730
Provision for standard assets	2,343,469	1,339,890
Provision for wealth tax	7,656	6,108
Contingency provision	(2,933,919)	(1,337,473)
(Profit)/Loss on sale of fixed assets	(33,736)	10,385
Share in current year's profits of associates	(36,316)	(28,817)
Provision/Charge for Dimunition in value of Investment	(41,196)	537,294
	157,913,553	**124,797,075**
Adjustments for :		
(Increase) / Decrease in Investments	(86,770,385)	(142,403,428)
(Increase) / Decrease in Advances	(700,414,983)	(497,182,761)
Increase / (Decrease) in Deposits	709,885,624	495,521,931
(Increase) / Decrease in Other assets	(66,178,707)	33,359,910
Increase / (Decrease) in Other liabilities and provisions	69,761,569	(34,229,915)
	84,196,671	**(20,137,188)**
Direct taxes paid (net of refunds)	(42,090,327)	(38,336,069)
Net cash flow from operating activities	**42,106,344**	**(58,473,257)**
Cash flows from investing activities		
Purchase of fixed assets	(8,530,884)	(9,107,375)
Proceeds from sale of fixed assets	130,019	45,519
Investment in subsidiaries	(2,265,750)	-
Net cash used in investing activities	**(10,666,615)**	**(9,061,856)**
Cash flows from financing activities		
Increase in Minority Interest	402,962	376,784
Money received on exercise of stock options by employees	7,232,947	11,171,001
Proceeds from issue of Upper and Lower Tier II capital instruments	2,300,000	60,470,000
Increase / (Decrease) in Borrowings (excluding Subordinate debt, Perpetual debt and Upper Tier II instruments)	98,138,049	70,813,587
Dividend paid during the year	(13,140,705)	(10,135,020)
Tax on Dividend	(2,231,791)	(1,643,901)
Net cash generated from financing activities	**92,701,462**	**131,052,451**

Particulars	Year Ended 31-Mar-14	Year Ended 31-Mar-13
Effect of Exchange Fluctuation on Translation reserve	(318,543)	42,672
Net Increase/(Decrease) in cash and cash equivalents	**123,822,648**	**63,560,010**
Cash and cash equivalents as at April 1st	**275,311,634**	**211,751,624**
Cash and cash equivalents as at March 31st	**399,134,282**	**275,311,634**

As per our report of even date	For and on behalf of the Board		
For **B S R & Co. LLP** *Chartered Accountants* Firm's Registration No.: 101248W	**C. M. Vasudev** Chairman	**Aditya Puri** Managing Director	**Bobby Parikh** **Partho Datta** **Pandit Palande** **Vijay Merchant** **Keki Mistry** **Renu Karnad** *Directors*
	Paresh Sukhtankar Deputy Managing Director	**Kaizad Bharucha** Executive Director	
Akeel Master *Partner* Membership No.: 046768 **Mumbai, April 22, 2014**	**Sanjay Dongre** Executive Vice President (Legal) & Company Secretary	**Sashidhar Jagdishan** Chief Financial Officer	

Schedules to the Consolidated Financial Statements as at March 31, 2014

SCHEDULE 1 – CAPITAL

₹ in '000

	As at 31-Mar-14	As at 31-Mar-13
Authorised Capital	5,500,000	5,500,000
2,75,00,00,000 (31 March, 2013 : 2,75,00,00,000) Equity Shares of ₹ 2/- each		
Issued, subscribed and paid-up capital	4,798,101	4,758,838
2,39,90,50,435 (31 March, 2013 : 2,37,94,19,030) Equity Shares of ₹ 2/- each		
Total	**4,798,101**	**4,758,838**

SCHEDULE 2 - RESERVES AND SURPLUS

₹ in '000

	As at 31-Mar-14	As at 31-Mar-13
I. Statutory reserve		
Opening balance	70,268,983	53,248,271
Additions during the year	21,614,541	17,020,712
Total	**91,883,524**	**70,268,983**
II. General reserve		
Opening balance	26,129,001	19,402,716
Additions during the year	8,558,376	6,726,285
Total	**34,687,377**	**26,129,001**
III. Balance in profit and loss account	**152,074,676**	**114,759,351**
IV. Share premium account		
Opening balance	135,636,749	124,749,640
Additions during the year	7,415,134	10,887,109
Total	**143,051,883**	**135,636,749**
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	3,813,175	2,954,677
Additions during the year	582,710	858,498
Total	**4,395,885**	**3,813,175**
VII. Investment reserve account		
Opening balance	176,636	-
Additions during the year	342,831	231,802
Deductions during the year	(310,612)	(55,166)
Total	**208,855**	**176,636**
VIII. Foreign currency translation account		
Opening balance	248,980	206,308
Additions / (deductions) during the year	(318,543)	42,672
Total	**(69,563)**	**248,980**
Total	**436,868,201**	**361,668,439**

SCHEDULE 2 A - MINORITY INTEREST

₹ in '000

	As at 31-Mar-14	As at 31-Mar-13
Minority interest at the date on which parent subsidiary relationship came into existence	276,029	276,029
Subsequent increase	1,241,326	1,937,341
Total	**1,517,355**	**2,213,370**

Includes reserves of Employee Welfare Trust of ₹ 60.03 crores (previous year ₹ 56.98 crores)

SCHEDULE 3 – DEPOSITS

₹ in '000

	As at 31-Mar-14	As at 31-Mar-13
A. I. Demand deposits		
(i) From banks	12,169,991	10,385,135
(ii) From others	600,804,871	511,964,115
Total	**612,974,862**	**522,349,250**
II. Savings bank deposits	**1,031,326,133**	**882,099,711**
III. Term deposits		
(i) From banks	15,422,987	14,278,854
(ii) From others	2,011,079,341	1,542,189,884
Total	**2,026,502,328**	**1,556,468,738**
Total	**3,670,803,323**	**2,960,917,699**
B. I. Deposits of branches in India	3,609,741,720	2,944,855,098
II. Deposits of branches outside India	61,061,603	16,062,601
Total	**3,670,803,323**	**2,960,917,699**

SCHEDULE 4 – BORROWINGS

₹ in '000s

	As at 31-Mar-14	As at 31-Mar-13
I. Borrowings in India		
(i) Reserve Bank of India	-	2,750,000
(ii) Other banks	70,694,514	46,706,913
(iii) Other institutions and agencies	37,520,000	43,830,200
(iv) Upper and lower Tier II capital and innovative perpetual debts	168,739,000	166,439,000
Total	276,953,514	259,726,113
II. Borrowings outside India*	219,013,662	135,240,014
Total	**495,967,176**	**394,966,127**

**Includes Upper Tier II debt of ₹ 599.15 crore (previous year: ₹ 542.85 crore)*

Secured borrowings included in I & II above: ₹ 8,922.73 crores (previous year: ₹ 5,759.80 crores)

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

₹ in '000

	As at 31-Mar-14	As at 31-Mar-13
I. Bills payable	56,112,013	54,787,708
II. Interest accrued	28,261,198	63,733,348
III. Others (including provisions)	309,650,317	208,300,224
IV. Contingent provisions against standard assets	12,938,718	10,560,063
V. Proposed dividend (including tax on dividend)	19,283,218	15,324,034
Total	**426,245,464**	**352,705,377**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

₹ in '000

	As at 31-Mar-14	As at 31-Mar-13
I. Cash in hand (including foreign currency notes)	38,620,900	50,112,036
II. Balances with Reserve Bank of India :		
(a) In current accounts	212,951,262	94,196,754
(b) In other accounts	2,000,000	2,000,000
Total	**214,951,262**	**96,196,754**
Total	**253,572,162**	**146,308,790**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

₹ in '000

	As at 31-Mar-14	As at 31-Mar-13
I. In India		
(i) Balances with banks :		
(a) In current accounts	2,102,898	3,346,215
(b) In other deposit accounts	24,026,788	49,002,392
Total	**26,129,686**	**52,348,607**
(ii) Money at call and short notice :		
(a) With banks	1,000,000	17,850,000
(b) With other institutions	15,366,745	-
Total	**16,366,745**	**17,850,000**
Total	**42,496,431**	**70,198,607**
II **Outside India**		
(i) In current accounts	40,154,939	5,876,363
(ii) In other deposit accounts	2,995,750	8,142,750
(iii) Money at call and short notice	59,915,000	44,785,125
Total	**103,065,689**	**58,804,238**
Total	**145,562,120**	**129,002,845**

SCHEDULE 8 - INVESTMENTS

₹ in '000

	As at 31-Mar-14	As at 31-Mar-13
A. Investments in India in		
(i) Government securities	946,400,171	849,023,184
(ii) Other approved securities	-	-
(iii) Shares	1,479,364	1,418,665
(iv) Debentures and bonds	27,152,237	17,269,037
(v) Joint ventures *	544,510	508,300
(vi) Others (Units, CDs/CPs, PTCs, security receipts and NABARD deposits)	210,918,625	236,353,772
Total	**1,186,494,907**	**1,104,572,958**
**Includes Goodwill of ₹ 0.70 crores (previous year : ₹ 0.70 crores) and Capital Reserve of ₹ 0.43 crores on account of investment in associates (previous year : ₹0.43 crores)*		
B. Investments outside India in		
Other investments		
(a) Shares	9,396	9,396
(b) Debentures and bonds	9,206,325	5,021,770
Total	**9,215,721**	**5,031,166**

	As at 31-Mar-14	As at 31-Mar-13
Total	**1,195,710,628**	**1,109,604,124**
C. Investments		
(i) Gross value of investments		
(a) In India	1,188,244,432	1,106,955,742
(b) Outside India	9,215,721	5,031,166
Total	**1,197,460,153**	**1,111,986,908**
(ii) Provision for depreciation		
(a) In India	1,749,525	2,382,784
(b) Outside India	-	-
Total	**1,749,525**	**2,382,784**
(iii) Net value of investments		
(a) In India	1,186,494,907	1,104,572,958
(b) Outside India	9,215,721	5,031,166
Total	**1,195,710,628**	**1,109,604,124**

SCHEDULE 9 - ADVANCES

₹ in '000

	As at 31-Mar-14	As at 31-Mar-13
A (i) Bills purchased and discounted	146,469,089	123,219,205
(ii) Cash credits, overdrafts and loans repayable on demand	1,232,781,559	945,869,566
(iii) Term loans	1,774,937,954	1,403,362,380
Total	**3,154,188,602**	**2,472,451,151**
Loans with tenor of less than one year are classified under A (ii) above.		
B (i) Secured by tangible assets*	2,419,011,548	1,832,585,009
(ii) Covered by bank/Government guarantees	41,688,328	61,551,311
(iii) Unsecured	693,488,726	578,314,831
Total	**3,154,188,602**	**2,472,451,151**
** Including advances against book debts*		
C. I. Advances in India		
(i) Priority sector	898,226,797	770,444,752
(ii) Public sector	124,180,757	84,217,368
(iii) Banks	1,177,248	917,007
(iv) Others	1,897,668,290	1,520,913,534
Total	**2,921,253,092**	**2,376,492,661**
.II. Advances outside India		
(i) Due from banks	7,469,539	18,469,102
(ii) Due from others		
(a) Bills purchased and discounted	177,402	409,362
(b) Syndicated loans	21,134,880	13,623,839
(c) Others	204,153,689	63,456,187
Total	**232,935,510**	**95,958,490**
Total	**3,154,188,602**	**2,472,451,151**
Advances are net of provisions		

SCHEDULE 10 - FIXED ASSETS

₹ in '000

	As at 31-Mar-14	As at 31-Mar-13
A. Premises (including land)		
Gross block		
At cost on 31 March of the preceding year	11,642,394	10,519,672
Additions during the year	2,637,812	1,140,440
Deductions during the year	(110,771)	(17,718)
Total	**14,169,435**	**11,642,394**
Depreciation		
As at 31 March of the preceding year	2,916,893	2,488,876
Charge for the year	501,047	443,998
On deductions during the year	(80,762)	(15,981)
Total	**3,337,178**	**2,916,893**
Net block	**10,832,257**	**8,725,501**
B. Other fixed assets (including furniture and fixtures)		
Gross block		
At cost on 31 March of the preceding year	53,913,943	45,181,384
Additions during the year	6,878,474	9,504,932
Deductions during the year	(693,167)	(772,373)
Total	**60,099,250**	**53,913,943**
Depreciation		
As at 31 March of the preceding year	34,906,282	29,434,114
Charge for the year	6,389,332	6,190,167
On deductions during the year	(626,894)	(717,999)
Total	**40,668,720**	**34,906,282**
Net block	**19,430,530**	**19,007,661**
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	**30,262,787**	**27,733,162**

SCHEDULE 11 - OTHER ASSETS

₹ in '000

	As at 31-Mar-14	As at 31-Mar-13
I. Interest accrued	45,961,534	39,225,430
II. Advance tax/tax deducted at source (net of provisions)	12,807,051	15,915,695
III. Stationery and stamps	202,985	165,999
IV. Non banking assets acquired in satisfaction of claims	-	-
V. Bond and share application money pending allotment	9,029	29,333
VI. Security deposit for commercial and residential property	3,807,941	4,125,210
VII. Others *	194,114,781	132,668,111
Total	**256,903,321**	**192,129,778**

**Includes deferred tax asset (net) of ₹ 1,918.56 crores (previous year: ₹ 1,913.06 crores) and Goodwill of ₹ 154.85 crores (previous year : ₹ 38.17 crores)*

SCHEDULE 12 - CONTINGENT LIABILITIES

₹ in '000

	As at 31-Mar-14	As at 31-Mar-13
I. Claims against the bank not acknowledged as debts - taxation	8,311,600	9,351,700
II. Claims against the bank not acknowledged as debts - others	831,507	3,987,800
III. Liability on account of outstanding forward exchange contracts	4,753,861,196	4,467,860,687
IV. Liability on account of outstanding derivative contracts	2,009,620,394	2,292,213,027
V. Guarantees given on behalf of constituents		
- in India	210,495,379	162,354,071
- outside India	35,915,763	3,993,576
VI. Acceptances, endorsements and other obligations	192,095,251	220,595,426
VII. Other items for which the Bank is contingently liable	20,598,048	40,882,506
Total	**7,231,729,138**	**7,201,238,793**

SCHEDULE 13 - INTEREST EARNED

₹ in '000

	Year Ended 31-Mar-14	Year Ended 31-Mar-13
I. Interest/discount on advances / bills	330,775,141	275,912,115
II. Income from investments	90,392,028	78,242,820
III. Interest on balance with RBI and other inter-bank funds	3,786,035	3,019,141
IV Others	596,992	1,436,137
Total	**425,550,196**	**358,610,213**

SCHEDULE 14 - OTHER INCOME

₹ in '000

	Year Ended 31-Mar-14	Year Ended 31-Mar-13
I. Commission, exchange and brokerage	60,968,819	54,426,310
II. Profit / (loss) on sale of investments (net)	1,002,141	1,278,691
III. Profit / (loss) on revaluation of investments (net)	65,078	348,627
IV. Profit / (loss) on sale of building and other assets (net)	33,736	(10,385)
V. Profit/(loss) on exchange/derivative transactions (net)	14,008,092	10,101,338
VI. Income earned by way of dividends etc. from subsidiaries / companies and / or joint ventures abroad/in India	-	7,693
VII. Miscellaneous income	6,897,150	5,177,371

	Year Ended 31-Mar-14	Year Ended 31-Mar-13
Total	**82,975,016**	**71,329,645**

SCHEDULE 15 - INTEREST EXPENDED

₹ in '000

	Year Ended 31-Mar-14	Year Ended 31-Mar-13
I. Interest on deposits	190,425,563	163,132,026
II. Interest on RBI / inter-bank borrowings	34,468,911	28,335,378
III. Other interest	9,560,042	5,487,070
Total	**234,454,516**	**196,954,474**

SCHEDULE 16 - OPERATING EXPENSES

₹ in '000

	Year Ended As at 31-Mar-14	Year Ended 31-Mar-13
I. Payments to and provisions for employees	44,944,724	42,017,887
II. Rent, taxes and lighting	9,471,478	8,615,335
III. Printing and stationery	2,740,915	3,117,920
IV. Advertisement and publicity	1,451,665	1,870,160
V. Depreciation on bank's property	6,886,804	6,632,647
VI. Directors' fees, allowances and expenses	8,766	7,701
VII. Auditors' fees and expenses	13,368	14,612
VIII. Law charges	793,102	509,569
IX. Postage, telegram, telephone etc.	4,305,680	4,147,333
X. Repairs and maintenance	7,987,391	7,753,007
XI. Insurance	3,420,379	2,882,090
XII. Other expenditure*	42,672,270	37,950,702
Total	**124,696,542**	**115,518,963**

** Includes marketing expenses, professional fees, commission to sales agents, travel and hotel charges, entertainment, registrar and transfer agency fees 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, 2014

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 commercial banking and treasury operations. The Bank is governed by the Banking Regulation Act, 1949. The Bank has overseas branch operations in Bahrain and Hong Kong.

B Principles of consolidation

The consolidated financial statements comprise the financial statements of the Bank, its subsidiaries and associates, which together constitute the 'Group'.

The Bank consolidates its subsidiaries in accordance with Accounting Standard ('AS') 21, Consolidated Financial Statements, notified by the Companies Accounting Standard Rules, 2006 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, notified by the Companies Accounting Standard Rules, 2006.

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') notified under the Companies (Accounting Standard) Rules, 2006 to the extent applicable and current practices prevailing within the banking industry in India. Suitable adjustments are made to align with the format prescribed under the Banking Regulation Act, 1949.

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 expense 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	89.2%
HDB Financial Services Limited	Subsidiary	India	97.3%
Atlas Documentary Facilitators Company Private Limited	Associate	India	29.0%
International Asset Reconstruction CompanyPrivate 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 dependants has been entirely consolidated.*

*** Denotes HDFC Bank's direct interest.*

During the year ended March 31, 2014, the Bank purchased 4,275,000 shares of HDFC Securities Limited and thereby increased its stake-holding in HDFC Securities Limited from 62.1% to 89.9%. Further, the shareholding decreased from 89.9% to 89.2% on account of 1,11,150 stock options exercised by Minority Stakeholders.

During the year ended March 31, 2014 the shareholding in HDB Financial Services Limited decreased from 97.4% to 97.3% on account of 293,000 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, 2014.

D 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.

Recording purchase and sale transactions in securities is done following 'Settlement Date' 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 the above categories, are classified under AFS category.

Acquisition cost

In determining acquisition cost of an investment:

- Brokerage, commission, etc. paid at the time of acquisition, are recognised in the Statement of Profit and Loss.
- Broken period interest on debt instruments is recognised in the Statement of Profit and Loss.
- Cost of investments is based on the weighted average cost method.

Disposal of investments

Profit / Loss on sale of investments under the aforesaid three categories is recognised in the Statement of Profit and Loss. 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, wherever linked to the YTM rates, 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.

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 is made thereon based on the RBI guidelines. The depreciation / provision is 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 is 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 noncurrent/ long term 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 current investments/short term and are valued at lower of cost and net realizable value.

Interest on borrowings is recognized 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.

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 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 these regulatory requirements or provisions which are not made with respect to specific non-performing assets 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 and as per policy approved by the Board, floating provisions are not reversed by credit to Statement of Profit and Loss. Floating provisions are used only for contingencies under extraordinary circumstances wherein these are used for making specific provisions for impaired accounts. 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 Limited ('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, 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. 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 which is more conservative than 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 0.25% on standard assets as stipulated by Circular No. DNBS.PD.CC.No.207/ 03.02.002/2010-11 dated January 17, 2011 issued by RBI under the head "Contingent Provision against Standard Assets". The Company has also made additional provision on standard assets under the head "General provisions". The rate of general provision is based on the management estimate of future expected losses in loan portfolio. The rate of general provision is calculated using "probability of default" (PD) and "Loss given default" (LGD)

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 ('PTC's), 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 at the end of every financial year. 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

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.

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 rates of depreciation are not lower than the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation rates for certain key fixed assets are given below:

Asset	Depreciation Rate per annum
Owned Premises	1.63%
Very Small Aperture Terminals (‘VSATs’)	10.00%
Automated Teller Machines (‘ATMs’)	10.00%
Office equipment	16.21%
Computers	33.33%
Motor cars	25.00%
Software and system development expenditure	20.00%
Assets at residences of executives of the Bank	25.00%

- Improvements to lease hold premises are charged off over the remaining primary period of lease.
- Items (excluding staff assets) costing less than ₹ 5,000 and point of sale terminals are fully depreciated in the year of purchase.
- All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956.
- For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Bank.
- The Bank undertakes assessment of the useful life of an asset at periodic intervals taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use etc. 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.

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.

Depreciation is provided on a pro-rata basis using the straight-line method over the estimated useful lives of the assets or at the rates prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher, as follows:

Asset	Estimated useful life
Computers	3 years
Computers peripherals	4 years

Asset	Estimated useful life
Office equipment	6 years
Furniture and fixtures	15 years
Leasehold Improvements	over the primary period of the lease
Electricals	21 years
Vehicles	4 years
Office premises	61 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.

- 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	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 asset on a straight-line basis. The rates of depreciation for certain key fixed assets used in arriving at the charge for the year are as under:

Asset	Depreciation rate per annum
Office equipment	16.21%
Computer	33.33%
Motor cars	20.00%
Immovable property	1.63%
Furniture & fixtures	9.50%
Software and system development	33.33%

- 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.
- All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956.
- For assets purchased and sold during the year, depreciation is being provided on pro rata basis by the Company.

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.

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 contracts for longer maturities i.e. greater than one year are revalued using MIFOR (Mumbai Interbank Forward Offer Rate) and contracts with USD-INR currency pair are valued using USD LIBOR (London Interbank Offered Rate) rates. For other currency pairs, the forward points (as published by FEDAI) are extrapolated. The resulting profit or loss on valuation 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 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 a forward exchange contract is amortised as expense or income over the life of the contract.

Currency futures contracts are marked to market daily using settlement price on a trading day, which is the closing price of the respective futures contracts on that day. While the daily settlement price is computed 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 futures contract or as may be specified by the relevant authority from time to time. All open positions are marked to market based on the settlement price and the resultant marked to market profit / loss is daily settled with the exchange.

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 the 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 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 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 is 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's 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 is in the form of lump sum payment to vested 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. Vesting occurs upon completion of five years 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 (Revised 2005), 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 Managing Director, Executive 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 ₹ 6,500/- 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 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 (revised 2005), 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 Actuarial Society of India and provision towards this liability is made.

The overseas branches of the bank makes contributions 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 have 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 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 ICAI. 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 the said reward points are made based on the actuarial valuation report as furnished by the said independent actuary.

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 quoted by 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 and the rules framed there under) 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. Segment information

Group

The segmental classification to the respective segments is in accordance with the guidelines issued by RBI.

16. 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 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.

17. 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.

Schedule 18-Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2014

Amounts in Notes forming part of the Financial Statements for the year ended March 31, 2014 are denominated in Rupee crore to conform to extant RBI guidelines.

1. Earnings per equity share

Basic and Diluted earnings per equity share have been calculated based on the net profit after taxation of ₹ 8,743.49 crore (previous year: ₹ 6,869.64 crore) and the weighted average number of equity shares outstanding during the year of 2,390,289,717 (previous year: 2,360,960,867)

Following is the reconciliation between basic and diluted earnings per equity share:

Particulars	**For the year ended (₹)**	
	March 31, 2014	**March 31, 2013**
Nominal value per share	2.00	2.00
Basic earnings per share	36.58	29.10
Effect of potential equity shares (per share)	(0.27)	(0.32)
Diluted earnings per share	36.31	28.78

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, 2014	**March 31, 2013**
Weighted average number of equity shares used in computing basic earnings per equity share	2,390,289,717	2,360,960,867
Effect of potential equity shares outstanding	17,849,608	26,076,830
Weighted average number of equity shares used in computing diluted earnings per equity share	2,408,139,325	2,387,037,697

2. Reserves and surplus

Draw down from reserves

There has been no draw down from reserves during the year ended March 31, 2014 (previous year:

Nil).

Statutory reserve

The Bank has made an appropriation of ₹ 2,161.45 crore (previous year: ₹ 1,702.07 crore) out of profits for the year ended March 31, 2014 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, 2014, the Bank appropriated ₹ 58.27 crore (previous year: ₹ 85.85 crore), being the profit from sale of investments under HTM category, 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 ₹ 855.84 crore (previous year: ₹ 672.63 crore) out of profits for the year ended March 31, 2014 to General Reserve pursuant to Companies (Transfer of Profits to Reserves) Rules, 1975.

Investment reserve account

During the year ended March 31, 2014, the Bank has appropriated ₹ 3.22 crore (net) (previous year: ₹ 17.66 crore (net)) from Profit and Loss Account to Investment Reserve Account.

3. 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, 2014, if approved at the ensuing Annual General Meeting.

4. Accounting for employee share based payments

HDFC Bank Limited

The shareholders of the Bank approved grant of equity share options under Plan "B" in June 2003, 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.

Plans B, C, D, E and F provide for the issuance of options at the recommendation of the Compensation Committee at the closing price on the working day immediately preceding the date when options are granted. For Plan B the price is that quoted on an Indian stock exchange with the highest trading volume during the preceding two weeks, while for Plans C, D, E and F the price is 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 Compensation Committee. These options are exercisable on vesting, for a period as set forth by the Compensation Committee at the time of grant. The period in which options may be exercised cannot exceed five years. Modifications, if any, made to the terms and conditions of ESOPs as approved by the Compensation Committee are disclosed separately.

The erstwhile Centurion Bank of Punjab (‘eCBoP’) had granted stock options to its employees prior to its amalgamation with the Bank. The options were granted under the General ESOP Scheme framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time. The outstanding options granted by eCBoP and the grant price thereof were converted into equivalent HDFC Bank options and prices in the swap ratio of 1:29 i.e. 1 stock option of HDFC Bank for every 29 stock options granted and outstanding of eCBoP as on May 23, 2008, the effective date of the amalgamation, in accordance with Clause 9.9 of the scheme of amalgamation of eCBoP with the Bank. The vesting dates for the said stock options granted in various tranches were revised as per Clause 9.9 of the Scheme. The aforesaid stock options are exercisable within a period of 5 years from the date of vesting. Options granted under the General ESOP scheme were granted at the market price. The market price was the latest available closing price, prior to the date of meeting of the Board of Directors/Compensation Committee in which options were granted or shares were issued, on the stock exchange on which the shares of the Bank were listed. If the shares were listed on more than one stock exchange, then the stock exchange where there was highest trading volume on the said date was considered.

Method used for accounting for shared based payment plan

The Bank has elected to use intrinsic value method to account for the compensation cost of stock options to employees and whole time directors of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option.

Activity in the options outstanding under the Employee Stock Options Plans

- Activity in the options outstanding under the various employee stock options plans as at March 31, 2014:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	65,443,045	417.32
Granted during the year	47,060,000	679.99
Exercised during the year*	18,903,115	382.63
Forfeited / lapsed during the year	1,123,330	583.43
Options outstanding, end of year	92,476,600	556.06
Options exercisable	46,137,600	431.59

- Activity in the options outstanding under the various employee stock options plans as at March 31, 2013:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	99,872,740	389.52
Granted during the year	-	-
Exercised during the year*	33,459,050	333.87
Forfeited / lapsed during the year	970,645	433.59
Options outstanding, end of year	65,443,045	417.32
Options exercisable	56,752,845	409.46

**includes 728,290 options exercised, pending allotment of equity shares as of March 31, 2013.*

- Following table summarises the information about stock options outstanding as at March 31, 2014:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price(₹)
Plan B	-	-	-	-
Plan C	680.00	6,952,000	5.21	680.00
Plan D	225.29 to 680.00	13,643,900	2.94	490.62
Plan E	440.16 to 680.00	71,494,300	3.82	558.33
General ESOP	118.61 to 251.72	386,400	0.40	217.13

No options have been granted under Plan F during the year ended March 31, 2014

- Following table summarises the information about stock options outstanding as at March 31, 2013:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan B	198.97 to 219.74	614,500	0.53	203.50
Plan C	198.97 to 219.74	705,400	0.44	208.12
Plan D	219.74 to 340.96	12,058,100	1.39	285.60
Plan E	440.16 to 508.23	51,175,300	3.65	457.40
General ESOP	107.30 to 251.72	889,745	1.09	210.75

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. 47,060,000 options were granted during the year ended March 31, 2014 (previous year: Nil). The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2014 were:

Particulars	March 31, 2014
Dividend yield	0.81%to 0.83%
Expected volatility	28.57%to 41.52%
Risk- free interest rate	8.21%to 9.08%
Expected life of the option	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:

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Net Profit (as reported)	8,478.38	6,726.28
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock based compensation expense determined under fair value based method (proforma)	561.32	431.62
Net Profit (proforma)	7,917.06	6,294.66
	(₹)	**(₹)**
Basic earnings per share (as reported)	35.47	28.49
Basic earnings per share (proforma)	33.12	26.66
Diluted earnings per share (as reported)	35.21	28.18
Diluted earnings per share (proforma)	32.88	26.37

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 Rs 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 Plans

- Activity in the options outstanding under the Employees Stock Options Plans as at March 31, 2014:

Particulars	Company options	Weighted average exercise price (₹)
Options outstanding, beginning of year	122,900	135.00
Granted during the year	-	-
Exercised during the year	111,150	135.00
Forfeited during the year	600	-
Lapsed during the year	2,450	135.00
Options outstanding, end of year	8,700	135.00
Options Exercisable	8,700	135.00

- Activity in the options outstanding under the Employees Stock Options Plans as at March 31, 2013:

Particulars	Company options	Weighted average exercise price (₹)
Options outstanding, beginning of year	371,400	135.00
Granted during the year	-	-
Exercised during the year	234,225	135.00
Forfeited during the year	12,000	135.00
Lapsed during the year	2,275	135.00
Options outstanding, end of year	122,900	135.00
Options Exercisable	122,900	135.00

- Following table summarises the information about stock options outstanding as at *March* 31, 2014:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of unvested options(in years)	Weighted average exercise price (₹)
Company Options	135.00	8,700	0.89	135.00

- Following table *summarises* the information about stock options outstanding as at March 31, 2013:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of unvested options(in years)	Weighted average exercise price (₹)
Company Options	135.00	122,900	1.61	135.00

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 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 31 March, 2010 are:

Particulars	EWT options	Company options
Dividend yield	Nil	Nil
Expected volatility	73.56% to 79.04%	71.53% to 72.67%
Risk-free interest rate	6.53% to 8.19%	6.22% to 7.18%
Expected life of the option	0-2 years	0–5 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 pro forma amounts indicated below:

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Net Profit (as reported)	78.44	66.82
Add: Stock- based employee compensation expense included in net income	-	-
(Less)/Add: Stock- based compensation expense determined under fair value based method (proforma)	0.02	(0.25)
Net Profit (proforma)	78.46	66.57
	(₹)	**(₹)**
Basic and diluted earnings per share (as reported)	51.00	44.09
Basic and diluted earnings per share (proforma)	51.02	43.92

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 compensation committee, each ESOP scheme is issued. The compensation committee has approved stock option schemes ESOS-4 in October, 2010 and ESOS-5 in July 27, 2011 and ESOS-6 in June 11, 2012 and ESOS-7 in July 19, 2013. 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.

- During the year, ESOS-7 was approved and granted for the issuance of options at the recommendation of the Compensation Committee of the Board at a price of ₹ 56 per share.

- Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed/approved by the Compensation Committee. Such options are exercisable for a period following 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 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 Plans as at March 31, 2014:

Particulars	Options	Weighted average exercise price(₹)

Particulars	Options	Weighted average exercise price(₹)
Options outstanding, beginning of year	903,750	28.23
Granted during the year	1,645,000	56.00
Exercised during the year	293,000	24.66
Forfeited / lapsed during the year	104,050	44.36
Options outstanding, end of year	2,151,700	49.17

- Activity in the options outstanding under the Employee Stock Option Plans as at March 31, 2013:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	422,900	19.89
Granted during the year	691,000	31.00
Exercised during the year	160,150	18.59
Forfeited / lapsed during the year	50,000	26.85
Options outstanding, end of year	903,750	28.23

- Following tables summarises the information about stock options outstanding as at March 31, 2014:

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(₹)	Vesting Conditions
ESOS – 4	17.50	22,800	1.42	17.50	3 years service
ESOS – 5	25.00	50,800	2.44	25.00	3 years service
ESOS – 6	31.00	490,100	2.91	31.00	3 years service
ESOS – 7	56.00	1,588,000	3.10	56.00	2 years service

- Following table summarises the information about stock options outstanding as at March 31, 2013:

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(₹)	Vesting Conditions
ESOS – 4	17.50	147,100	2.34	17.50	3 years service
ESOS – 5	25.00	86,650	3.02	25.00	3 years service
ESOS – 6	31.00	670,000	3.60	31.00	3 years service

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 2014 are:

Particulars	March 31, 2014	March 31, 2013
Dividend yield	Nil	Nil
Expected volatility	35 - 60%	35 - 60%
Risk-free interest rate	7 - 8%	8-9%
Expected life of the option	2 - 4 years	3 - 5 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:

(₹) in crore

Particulars	**March 31, 2014**	**March 31, 2013**
Net Profit (as reported)	209.26	102.45
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method (proforma)	1.26	0.42
Net Profit (proforma)	208.00	102.03
Basic earnings per share (as reported)	4.32	2.49
Basic earnings per share (proforma)	4.29	2.48
Diluted earnings per share (as reported)	4.32	2.49
Diluted earnings per share (proforma)	4.29	2.48

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 proforma amounts indicated below:

(₹) in crore

Particulars	**March 31, 2014**	**March 31, 2013**
Net Profit (as reported)	8,743.49	6,869.64
Less: Stock-based compensation expense determined under fair value based method (proforma)	562.56	432.29
Net Profit (proforma)	8,180.93	6,437.35
	(₹)	**(₹)**
Basic earnings per share (as reported)	36.58	29.10
Basic earnings per share (proforma)	34.23	27.27
Diluted earnings per share (as reported)	36.31	28.78
Diluted earnings per share (proforma)	33.97	26.97

5. 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, 2014 include unrealised loss on foreign exchange and derivative contracts of ₹ 12,609.15 crore (previous year: ₹ 7,036.66 crore).

- No share application monies were outstanding as on March 31, 2014. As of March 31, 2013 'Other liabilities' include share application monies of ₹ 22.15 crore, received on exercise of employee stock options pending allotment of equity shares, which were subsequently allotted on April 4, 2013.

6. Investments

- Investments include securities of Face Value (FV) aggregating ₹ 1,845.00 crore (previous year: FV ₹ 1,745.00 crore) which are kept as margin for clearing of securities, of FV ₹ 5,693.30 crore (previous year: FV ₹ 12,100.00 crore) which are kept as margin for Collateralised Borrowing and Lending Obligation (CBLO) and of FV aggregating ₹ 120.35 crore (previous year: FV ₹ 40.00 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 ₹ 6.00 crore) which are kept as margin with National Securities Clearing Corporation of India Ltd. ('NSCCIL'), of FV aggregating ₹ 13.00 crore (previous year: FV ₹ 5.00 crore) which are kept as margin with MCX - SX Clearing Corporation Ltd., of FV aggregating ₹ 0.30 crore (previous year: FV ₹ 0.30 crore) which are kept as margin with United Stock Exchange for transacting in the currency derivative segment and of FV aggregating ₹ 2.00 crore (previous year: Nil) which are kept as margin with Indian Clearing Corporation Limited in the BSE currency derivatives segment.

- Investments having FV aggregating ₹ 35,013.64 crore (previous year: FV ₹ 29,376.69 crore) are kept as margin towards Real Time Gross Settlement (RTGS) and those having FV aggregating ₹ 26,139.39 crore (previous year: ₹ 38,188.32 crore) are kept as margin towards liquidity adjustment facility 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.

7. Other Fixed Assets (including furniture and fixtures)

Other fixed assets includes amount capitalised relating to software, website cost and Bombay stock exchange card.

Details regarding the same are as follows:

(₹) in crore

Particulars	**2014**	**2013**
Cost		
As at March 31 of the previous year	1,120.92	854.83
Additions during the year	190.60	266.10
Deductions during the year	-	(0.01)
Total (a)	**1,311.52**	**1,120.92**
Depreciation		
As at March 31 of the previous year	732.95	584.14
Charge for the year	148.30	148.82
On deductions during the year	-	(0.01)
Total (b)	**881.25**	**732.95**
Net value as at March 31 (a-b)	**430.27**	**387.97**

8. Other Assets

- Other Assets include deferred tax asset (net) of ₹ 1,918.56crore (previous year: ₹ 1,913.06 crore). The break-up of the same is as follows:

(₹) in crore

Particulars	**March 31, 2014**	**March 31, 2013**
Deferred tax asset arising out of:		
Loan loss provisions	1,513.97	1,458.44
Employee Benefits	122.87	120.04
Others	340.74	392.15
Total (a)	**1,977.58**	**1,970.63**
Deferred tax liability arising out of:		
Depreciation	(59.02)	(57.57)
Total (b)	**(59.02)**	**(57.57)**
Deferred tax asset (net) (a-b)	**1,918.56**	**1,913.06**

- Other Assets includes deposits of ₹ 2.11crore (previous year: ₹ 2.11crore) maintained by HDFC Securities Limited with the Stock Exchange.

9. 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*

(₹) in crore

Particulars	**March 31, 2014**	**March 31, 2013**
Opening provision for reward points	130.07	85.80
Provision for reward points made during the year	100.89	109.35
Utilisation / write back of provision for reward points	(57.72)	(62.65)
Effect of change in rate for accrual of reward points	(22.33)	14.11
Effect of change in cost of reward points	-	(16.54)
Closing provision for reward points	150.91	130.07

(b) *Provision for legal and other contingencies*

(₹) in crore

Particulars	**March 31, 2014**	**March 31, 2013**
Opening provision	312.66	286.03
Movement during the year (net)	39.95	26.63
Closing provision	352.61	312.66

(c) Description of contingent liabilities

S. 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.
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

S. No.	Contingent liability*	Brief description
		(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

*Also refer Schedule 12 - Contingent Liabilities

10 Commission, exchange and brokerage income

Commission, exchange and brokerage income is net of correspondent bank charges.

11. Provisions and Contingencies

The break-up of 'Provisions and Contingencies' included in the Statement of Profit and Loss is given below:

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Provision for income tax - Current	4,446.06	3,373.58
- Deferred	0.09	(269.85)
Provision for wealth tax	0.77	0.61
Provision for NPAs	1,730.52	1,261.38
Provision for diminution in value of non performing investments	(4.12)	53.73
Provision for standard assets	234.35	133.96
Other provisions and contingencies*	(234.78)	292.93
Total	**6,172.89**	**4,846.34**

**Includes (write-back) / provisions for tax, legal and other contingencies ₹ (265.30) crore (previous year: ₹ (133.22) crore), floating provisions ₹ 57.67 crore (previous year: ₹ 426.67 crore), provisions for securitised-out assets ₹ (26.21) crore (previous year: ₹ 5.92 crore) and standard restructured assets ₹ (0.94) crore (previous year: ₹ (6.44) crore).*

12. Employee benefits

Gratuity

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	209.82	168.60
Interest cost	18.17	13.25
Current service cost	40.17	39.56
Benefits paid	(15.62)	(11.89)
Actuarial (gain) / loss on obligation:		

Particulars	March 31, 2014	March 31, 2013
Experience adjustment	6.30	2.61
Assumption change	(16.13)	(2.31)
Present value of obligation as at March 31	**242.71**	**209.82**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	132.60	93.32
Expected return on plan assets	12.33	9.02
Contributions	45.06	40.15
Benefits paid	(15.61)	(11.89)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	1.82	2.00
Assumption change	-	-
Fair value of plan assets as at March 31	**176.20**	**132.60**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	176.20	132.60
Present value of obligation as at March 31	242.71	209.82
Asset / (liability) as at March 31	**(66.51)**	**(77.22)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	18.17	13.25
Current service cost	40.17	39.56
Expected return on plan assets	(12.33)	(9.02)
Net actuarial (gain) / loss recognised in the year	(11.65)	(1.69)
Net Cost	**34.36**	**42.10**
Actual return on plan assets	14.14	11.02
Estimated contribution for the next year	50.10	32.08
Assumptions (HDFC Bank Limited)		
Discount rate	9.0% per annum	8.1% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	8.5% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	9.03% per annum	8.0% per annum
Expected return on plan assets	8.7% per annum	8.6% per annum
Salary escalation rate	7.0% per annum	6.0% per annum
Assumptions (HDB Financial Services Limited)		
Discount rate	8.8% per annum	8.0% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate:		
General	5.0% per annum	5.0% per annum
Others	5.0% per annum	5.0% per annum

Experience adjustment

(₹) in crore

Particulars	Years ended March 31,				
	2014	2013	2012	2011	2010
Plan assets	176.20	132.60	93.32	66.51	52.24
Defined benefit obligation	242.71	209.82	168.60	137.63	100.10
Surplus / (deficit)	(66.51)	(77.22)	(75.28)	(71.12)	(47.86)
Experience adjustment gain / (loss) on plan assets	1.82	2.00	(0.95)	-	7.42
Experience adjustment (gain) / loss on plan liabilities	6.30	2.61	1.22	9.94	(5.05)

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, 2014 are given below:

Category of Plan Assets	HDFC Bank Limited	HDFC Securities Limited	HDB Financial Services Limited
Government securities	26.0%	32%	7.0%
Debenture and bonds	32.9%	52%	82.7%
Equity shares	32.3%	9%	-
Others	8.8%	7%	10.3%
Total	**100.0%**	**100.0%**	**100.0%**

Pension

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	58.19	56.85
Interest cost	4.84	4.18
Current service cost	0.77	1.32
Benefits paid	(8.88)	(11.09)
Actuarial (gain) / loss on obligation:		
Experience adjustment	3.62	6.12
Assumption change	0.35	0.81
Present value of obligation as at March 31	**58.89**	**58.19**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	48.88	51.14
Expected return on plan assets	3.87	4.00
Contributions	0.67	6.41
Benefits paid	(8.88)	(11.09)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	3.45	(1.58)
Assumption change	-	-
Fair value of plan assets as at March 31	**47.99**	**48.88**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	47.99	48.88
Present value of obligation as at March 31	(58.89)	(58.19)
Asset / (liability) as at March 31	**(10.90)**	**(9.31)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	4.84	4.18
Current service cost	0.77	1.32
Expected return on plan assets	(3.87)	(4.00)
Net actuarial (gain) / loss recognised in the year	0.51	8.51
Net cost	**2.25**	**10.01**
Actual return on plan assets	7.33	2.42
Estimated contribution for the next year	9.30	9.48
Assumptions		
Discount rate	9.0% per annum	8.1% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	8.5% per annum

Experience adjustment

(₹) in crore

Particulars	Years ended March 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Plan assets	47.99	48.88	51.14	43.35	38.78
Defined benefit obligation	58.89	58.19	56.85	57.38	40.70
Surplus / (deficit)	(10.90)	(9.31)	(5.71)	(14.03)	(1.92)

Particulars	Years ended March 31,				
	2014	2013	2012	2011	2010
Experience adjustment gain / (loss) on plan assets	3.45	(1.58)	(1.29)	2.85	2.78
Experience adjustment (gain) / loss on plan liabilities	3.62	6.12	1.36	18.50	2.12

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 of March 31, 2014 are given below:

Category of Plan Assets	% of fair value to total plan assets
Government securities	6.3
Debenture and bonds	67.4
Others	26.3
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 Actuary Society of India (ASI) 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 holds a provision of ₹ 0.52 crore as on March 31, 2014 (previous year: ₹ 9.57 crore) 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, 2014	March 31, 2013
Discount rate (GOI security yield)	8.9% per annum	8.0% per annum
Expected guaranteed interest rate	9.0% per annum	8.6% per annum

The Bank does not have any unfunded defined benefit plan. The Bank contributed ₹ 153.11 crore (previous year: ₹ 129.54 crore) to the provident fund and ₹ 43.22 crore (previous year: ₹ 37.33 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, 2014 is given below:

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Privileged leave	216.04	213.83
Sick leave	45.60	40.83
Total actuarial liability	261.64	254.66
Assumptions (HDFC Bank Limited)		
Discount rate	9.0% per annum	8.1% per annum
Salary escalation rate	8.5% per annum	8.5% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	9.0% per annum	8.0% per annum
Salary escalation rate	7.0% per annum	6.0% per annum
Assumptions (HDB Financial Services Limited)		
Discount rate	8.8% per annum	8.0% per annum
Salary escalation rate:		
General staff	5.0% per annum	5.0% per annum
Others	5.0% per annum	5.0% per annum

13. 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 of the Bank 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 viz. HDFC Securities Limited, HDB Financial Services Limited and HDB Employee Welfare Trust.

(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 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, 2014 is given below:

Business segments:

(₹) in crore

S. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	11,786.70	40,804.86	19,645.34	6,830.88	79,067.78
2	Unallocated revenue					2.59
3	Less: Inter-segment revenue					28,217.85
4	Income from operations (1) + (2) - (3)					50,852.52
5	Segment results	412.30	5,685.41	5,940.11	2,359.05	14,396.87
6	Unallocated expenses					1,186.20
7	Income tax expense (including deferred tax)					4,446.16
8	Net profit (5) - (6) - (7) (net profit before minority interest and earnings from associates)					8,764.51
9	Segment assets	160,537.01	169,135.07	143,652.82	26,323.10	499,648.00
10	Unallocated assets					3,971.96
11	Total assets (9) + (10)					503,619.96
12	Segment liabilities	38,125.60	298,225.26	90,597.43	12,918.58	439,866.87
13	Unallocated liabilities					19,434.72
14	Total liabilities (12) + (13)					459,301.59
15	Capital employed (9) - (12)	122,411.41	(129,090.19)	53,055.39	13,404.52	59,781.13
16	Unallocated (10) - (13)					(15,462.76)
17	Total (15) + (16)					44,318.37
18	Capital expenditure	3.16	860.96	21.75	65.76	951.63
19	Depreciation	6.70	531.85	90.93	59.20	688.68

Geographic segments:

(₹) in crore

Particulars	Domestic	International
Revenue	50,101.53	750.99
Assets	473,829.61	29,790.35
Capital expenditure	950.94	0.69

Segment reporting for the year ended March 31, 2013 is given below:

Business segments:

(₹) in crore

S. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	9,711.02	34,919.65	17,633.82	4,979.06	67,243.55
2	Unallocated revenue					112.77
3	Less: Inter-segment revenue					24,362.33
4	Income from operations (1) + (2) - (3)					42,993.99
5	Segment results	225.00	4,424.15	4,751.96	1,817.51	11,218.62
6	Unallocated expenses					1,214.61
7	Income tax expense (including deferred tax)					3,103.73
8	Net profit (5) - (6) - (7) (net profit before minority interest and earnings from associates)					6,900.28
9	Segment assets	139,459.18	138,001.73	107,109.05	18,689.65	403,259.61
10	Unallocated assets					4,463.38
11	Total assets (9) + (10)					407,722.99
12	Segment liabilities	24,652.79	234,968.21	82,810.62	7,757.43	350,189.05
13	Unallocated liabilities					20,669.88
14	Total liabilities (12) + (13)					370,858.93
15	Capital employed (9) - (12)	114,806.39	(96,966.48)	24,298.43	10,932.22	53,070.56
16	Unallocated (10) - (13)					(16,206.50)
17	Total (15) + (16)					36,864.06
18	Capital expenditure	100.80	629.46	165.92	168.36	1,064.54
19	Depreciation	52.20	426.34	94.44	90.28	663.26

Geographic segments:

(₹) in crore

Particulars	Domestic	International
Revenue	42,605.93	388.06
Assets	393,455.70	14,267.29
Capital expenditure	1,064.13	0.41

14. Related party disclosures

As per AS-18, Related Party Disclosure, the Bank's related parties are disclosed below:

Promoter

Housing Development Finance Corporation Limited

Enterprises under common control of the promoter

- HDFC Asset Management Company Limited
- HDFC Developers Limited
- HDFC Investments Limited
- GRUH Finance Limited
- HDFC ERGO General Insurance Company Limited
- HDFC Ventures Trustee Company Limited
- Griha Investments
- HDFC Education and Development Services Private Limited
- HDFC Property Ventures Limited
- HDFC Life Pension Fund Management Company Limited
- Grandeur Properties Pvt. Ltd.
- Pentagram Properties Pvt. Ltd.
- HDFC Standard Life Insurance Company Limited
- HDFC Holdings Limited
- HDFC Trustee Company Limited
- HDFC Realty Limited
- HDFC Venture Capital Limited
- HDFC Sales Private Limited
- Credila Financial Services Private Limited
- HDFC Investments Trust
- Griha Pte Limited
- H T Parekh Foundation
- Windermere Properties Pvt. Ltd.
- Winchester Properties Pvt. Ltd.
- Haddock Properties Pvt. Ltd.

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
Harish Engineer, Executive Director (retired from the services of the Bank effective September 30, 2013)
Kaizad Bharucha, Executive Director (appointed with effect from December 24, 2013)

Related parties to key management personnel
Salisbury Investments Private Limited, Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad, Sudha Engineer, Shreematiben Engineer, Nikhil Engineer, Uma Engineer, Mahesh Engineer, 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, 2014 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 ₹ 8.83 crore (previous year: ₹ 9.79 crore); HDFC Standard Life Insurance Company Limited ₹ 8.23 crore (previous year: ₹ 1.10 crore); Atlas Documentary Facilitators Company Private Limited ₹ 4.15 crore (previous year: ₹ 4.08 crore).

- Rendering of services: HDFC Standard Life Insurance Company Limited ₹ 340.90 crore (previous year: ₹ 472.33 crore); Housing Development Finance Corporation Limited ₹ 130.81 crore (previous year: ₹ 139.59 crore); HDFC ERGO General Insurance Company Limited ₹ 117.40 crore (previous year: ₹ 126.31 crore); HDFC Asset Management Company Limited ₹

75.19 crore (previous year: ₹ 68.41 crore)

- Receiving of services: HBL Global Private Limited ₹ 492.75 crore (previous year: ₹ 464.56 crore); Atlas Documentary Facilitators Company Private Limited ₹ 430.00 crore (previous year: ₹ 393.48 crore).

- Dividend paid: Housing Development Finance Corporation Limited ₹ 216.27 crore (previous year: ₹ 169.08 crore); HDFC Investments Limited ₹ 82.50 crore (previous year: ₹ 64.50 crore)

The Group's related party balances and transactions for the year ended March 31, 2014 are summarized as follows:

(₹) in crore

Items / Related party	Promoter	Enterprises under common control of the promoter	Associates	Key management personnel	Total
Deposits taken	5,494.84 (5,494.84)	676.99 (720.78)	85.12 (85.21)	10.25 (14.13)	6,267.20 (6,314.96)
Deposits placed	0.15 (0.15)	3.86 (3.86)	33.45 (38.45)	2.30 (2.30)	39.76 (44.76)
Advances given	- -	0.05 (0.08)	44.40 (44.70)	0.94 (0.94)	45.39 (45.72)
Fixed assets purchased from	-	-	0.01	-	0.01
Fixed assets sold to	-	-	-	0.01	0.01
Interest paid to	8.83	19.18	4.25	0.73	32.99
Interest received from	-	8.24	0.86	0.02	9.12
Income from services rendered to	130.81	534.97	25.89	-	691.67
Expenses for receiving services from	85.71	168.00	922.75	0.50	1,176.96
Equity investments	- -	- -	31.19 (31.19)	- -	31.19 (31.19)
Other investments	- -	189.14 (189.14)	39.72 (39.72)	--	228.86 (228.86)
Dividend paid to	216.27	91.69	-	1.71	309.67
Dividend received from	-	-	0.01	-	0.01
Receivable from	12.49 (12.49)	63.99 (87.34)	- -	- -	76.48 (99.83)
Payable to	14.32 (14.32)	- -	23.05 (90.67)	- -	37.37 (104.99)
Guarantees given	0.11 (0.11)	0.04 (0.04)	- -	- -	0.15 (0.15)
Remuneration paid	-	-	-	11.08	11.08
Loans purchased from	5,556.07	-	-	-	5,556.07
NPAs sold to	-	-	6.42	-	6.42

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 certain parties which includes the promoter and related group companies. 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, 2014 is ₹ 250.00 crore (previous year: ₹ 250.00 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is ₹ 8.82 crore (previous year: ₹ 7.42 crore).

During the year ended March 31, 2014, the Bank purchased securities from Credila Financial Services Private Limited ₹ 236.56 crore (previous year: Nil). During the year ended March 31, 2013, the Bank had also purchased securities from HDFC Standard Life Insurance Company Limited ₹ 294.24 crore. During the year ended March 31, 2014, the Bank sold securities to HDFC Standard Life Insurance Company Limited with book values aggregating ₹ 336.88 crore (previous year: ₹ 650.02 crore), to HDFC ERGO General Insurance Company Limited ₹ 24.86 crore (previous year: ₹ 217.16 crore). During the year ended March 31, 2014, the Bank redeemed securities of Credila Financial Services Private Limited ₹ 50.00 crore (previous year: Nil). During the year ended March 31, 2013 the Bank had also sold securities to Key Management Personnel ₹ 5.26 crore.

As of March 31, 2014, investment of HDFC Standard Life Insurance Company Limited in the Bank's tier II bonds amounted to ₹ 85.00 crore (previous year: ₹ 61.00 crore) and that of HDFC ERGO General Insurance Company Limited amounted to ₹ 5.00 crore (previous year: ₹ 5.00 crore).

During the year ended March 31, 2014, 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, 2014, the security deposit outstanding was ₹ 3.50crore (previous year: ₹ 4.28 crore).

The Group's related party balances and transactions for the year ended March 31, 2013 are summarized as follows:

(₹) in crore

Items / Related party	Promoter	Enterprises under common control of the promoter	Associates	Key management personnel	Total
Deposits taken	1,985.17 (3,193.25)	566.11 (729.10)	44.13 (48.97)	5.67 (6.61)	2,601.08 (3,977.93)
Deposits placed	0.15 (0.15)	-	38.45 (38.45)	2.22 (2.22)	40.82 (40.82)
Advances given	-	-	7.98 (17.93)	0.73 (0.73)	8.71 (18.66)
Fixed assets purchased from	-	-	-	-	-
Fixed assets sold to	-	-	-	-	-
Interest paid to	9.79	12.77	4.12	0.41	27.09
Interest received from	-	-	1.87	0.04	1.91
Income from services rendered to	139.59	668.68	20.95	-	829.22
Expenses for receiving services from	47.94	111.07	858.04	0.60	1,017.65
Equity investments	-	-	31.19 (31.19)	-	31.19 (31.19)
Other investments	-	-	15.67 (21.31)	-	15.67 (21.31)
Dividend paid to	169.08	68.83	-	1.15	239.06
Dividend received from	-	-	0.01	-	0.01
Receivable from	13.97 (13.97)	101.74 (101.74)	2.42 (2.42)	-	118.13 (118.13)
Payable to	- (8.12)	- -	66.87 (107.23)	- -	66.87 (115.35)
Guarantees given	0.10 (0.10)	0.13 (0.13)	- -	- -	0.23 (0.23)
Remuneration	-	-	-	11.95	11.95

Items / Related party	Promoter	Enterprises under common control of the promoter	Associates	Key management personnel	Total
paid					
Loans purchased from	5,164.40	-	-	-	5,164.40

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.

15. Leases

Operating leases primarily comprise office premises, staff residences and Automated Teller Machines (ATMs), which are renewable at the option of the Bank. The details of maturity profile of future operating lease payments are given below:

(₹) in crore

Particulars	March 31, 2014	March 31, 2013
Not later than one year	697.83	624.40
Later than one year and not later than five years	2,351.28	2,131.55
Later than five years	1,271.06	1,033.55
Total	**4,320.17**	**3,789.50**
The total of minimum lease payments recognised in the Statement of Profit and Loss for the year	780.73	712.52
Total of future minimum sub-lease payments expected to be received under non-cancellable subleases	74.78	64.30
Sub-lease amounts recognised in the Statement of Profit and Loss for the year	29.70	24.22
Contingent (usage based) lease payments recognised in the Statement of Profit and Loss for the year	133.29	105.55

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.

16. Penalties levied by the RBI

During the year ended March 31, 2014, the RBI imposed a penalty of ₹ 4.50 crore on the Bank for certain irregularities and violations discovered by the RBI, viz., non-observance of certain safeguards in respect of arrangement of "at par" payment of cheques drawn by cooperative banks, exceptions in periodic review of risk profiling of account holders, non-adherence to KYC rules for walk-in customers (non-customers) including for sale of third party products, sale of gold coins for cash in excess of ₹ 50,000 in certain cases and non-submission of proper information required by the RBI.

17. 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 there are seven (previous year – twelve) suppliers registered under the said Act and there are no amounts unpaid, to the said suppliers, as at the year end and no interest is paid or considered payable.

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, 2014 was Nil. During the previous year the amount unpaid was Nil.

18 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.

19 Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

As per our report of even date For **B S R & Co. LLP** *Chartered Accountants* Firm's Registration No.: 101248W	For and on behalf of the Board **C. M. Vasudev** Chairman	**Aditya Puri** Managing Director	**Bobby Parikh** **Partho Datta** **Pandit Palande**
	Paresh Sukhtankar Deputy Managing Director	**Kaizad Bharucha** Executive Director	**Vijay Merchant** **Keki Mistry** **Renu Karnad**
Akeel Master *Partner* Membership No.: 046768 **Mumbai, April 22, 2014**	**Sanjay Dongre** Executive Vice President (Legal) & Company Secretary	**Sashidhar Jagdishan** Chief Financial Officer	*Directors*

Independent Auditor's Report on the Consolidated Financial Statements of HDFC Bank Limited , Its Subsidiaries and Associates.

To the Board of Directors of HDFC Bank Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of HDFC Bank Limited ('the Bank') and its subsidiaries and associates (collectively known as 'the Group'), which comprise the consolidated Balance Sheet as at 31 March 2013 and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control 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.

Auditor's Responsibility

3. We did not audit the financial statements and other financial information of the subsidiaries of the Group whose financial statements reflect total assets of ₹ 901,705 lacs as at 31 March 2013, total revenues of ₹ 120,284 lacs and cash flows of ₹ 1,361 lacs for the year then ended. These financial statements have been audited by other auditors, whose reports have been furnished to us and were relied upon by us for our opinion on the consolidated financial statements of the Group.

4. The financial statements also include ₹ 187 lacs being the Group's proportionate share in the profit of associates which has been recognised on the basis of the audited financial statements available with the Bank. These financial statements have been audited by other auditors, whose reports have been furnished to us and were relied upon by us for our opinion on consolidated financial statements of the Group.

5. The financial statements also include ₹ 101 lacs being the Group's proportionate share in the profit of associates which has been recognised on the basis of the unaudited financial statements available with the Bank.

6. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Institute of Chartered Accountants of India. 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 of material misstatements.

7. An audit involves performing procedures to obtain 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 control relevant to the Group's preparation and presentation 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 accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

8. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

9. We report that the Consolidated Financial Statements have been prepared by the Bank in accordance with the requirements of Accounting Standards (AS) 21, 'Consolidated financial statements', Accounting Standards (AS) 23, 'Accounting for Investments in Associates in Consolidated Financial Statements' notified pursuant to the Companies (Accounting Standards) Rules, 2006.

10. The Balance Sheet and the Statement of Profit and Loss and the Cash Flow Statement have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.

11. Based on our audit and to the best of our information and according to the explanations given to us and on the consideration of reports of other auditors on separate financial statements and on the consideration of the unaudited financial statements and on other relevant financial information of the components, we are of the opinion that the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India and guidelines issued by Reserve Bank of India in relation to preparation of consolidated financial statements:

    (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2013;

    (b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and

(c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

N Sampath Ganesh
Partner
Membership No: 042554

Mumbai
April 23, 2013

Consolidated Balance Sheet as at March 31, 2013

₹ in '000

	Schedule	As at 31-Mar-13	As at 31-Mar-12
CAPITAL AND LIABILITIES			
Capital	1	4,758,838	4,693,377
Reserves and surplus	2	361,668,439	297,411,054
Minority interest	2A	2,213,370	1,836,586
Employees' stock options (grants) outstanding		-	3,020
Deposits	3	2,960,917,699	2,465,395,768
Borrowings	4	394,966,127	263,341,540
Other liabilities and provisions	5	352,705,377	377,868,771
Total		**4,077,229,850**	**3,410,550,116**
ASSETS			
Cash and balances with Reserve Bank of India	6	146,308,790	149,916,306
Balances with banks and money at call and short notice	7	129,002,845	61,835,314
Investments	8	1,109,604,124	967,951,088
Advances	9	2,472,451,151	1,988,375,303
Fixed assets	10	27,733,162	23,779,126
Other assets	11	192,129,778	218,692,979
Total		**4,077,229,850**	**3,410,550,116**
Contingent liabilities	12	7,201,238,793	8,653,121,484
Bills for collection		261,039,630	186,924,956
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 **B S R & Co.**

Chartered Accountants
Firm's Registration No.: 101248W

N Sampath Ganesh
Partner
Membership No.: 042554
Mumbai , April 23, 2013

For and on behalf of the Board

C. M. Vasudev
Chairman

Aditya Puri
Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Harish Engineer
Executive Director

Paresh Sukthankar
Executive Director

A. N. Roy
Bobby Parikh
Keki Mistry
Partho Datta
Renu Karnad
Vijay Merchant
Directors

Consolidated Statement of Profit and Loss Account for the year ended March 31, 2013

₹ in '000

	Schedule	Year ended 31-Mar-13	Year ended 31-Mar-12
I INCOME			
Interest earned	13	358,610,213	281,934,044
Other income	14	71,329,645	59,923,190
Total		**429,939,858**	**341,857,234**
II EXPENDITURE			
Interest expended	15	196,954,474	151,061,242
Operating expenses	16	115,518,963	94,947,009
Provisions and contingencies		48,463,621	43,114,984
Total		**360,937,058**	**289,123,235**
III PROFIT			
Net profit for the year		69,002,800	52,733,999
Less : Minority interest		335,233	300,204
Add : Share in profits of associates		28,818	36,423
Consolidated profit for the year attributable to the Group		68,696,385	52,470,218
Balance of profit brought forward		86,213,878	63,269,453
Total		**154,910,263**	**115,739,671**
IV APPROPRIATIONS			
Transfer to Statutory Reserve		17,020,712	13,020,226
Proposed dividend		13,096,639	10,095,236
Tax (including cess) on dividend		2,227,394	1,638,937
Dividend (including tax / cess thereon) pertaining to previous year paid during the year		44,748	21,240
Transfer to General Reserve		6,726,285	5,167,091
Transfer to Capital Reserve		858,498	-
Transfer to / (from) Investment Reserve Account		176,636	(416,937)
Balance carried over to Balance Sheet		114,759,351	86,213,878
Total		**154,910,263**	**115,739,671**
		₹	₹
Basic		29.10	22.45
Diluted		28.78	22.24
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 **B S R & Co.**

Chartered Accountants
Firm's Registration No.: 101248W

N Sampath Ganesh
Partner
Membership No.: 042554

For and on behalf of the Board

C. M. Vasudev
Chairman

Aditya Puri
Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Harish Engineer
Executive Director

Paresh Sukthankar
Executive Director

A. N. Roy
Bobby Parikh
Keki Mistry
Partho Datta
Renu Karnad
Vijay Merchant
Directors

Mumbai , April 23, 2013

Consolidated Cash Flow Statement for the year ended March 31, 2013

₹ in '000

Particulars	Year Ended 31-Mar-13	Year Ended 31-Mar-12
Cash flows used in operating activities		
Net profit before income tax	**99,733,715**	**76,411,249**
Adjustments for:		
Depreciation on fixed assets	6,632,647	5,541,628
(Profit) / Loss on revaluation of investments	(348,627)	897,174
Amortisation of premia on Held to Maturity investments	582,183	783,012
Provision/Charge for Non-Performing Assets	13,669,770	11,879,972
Floating Provisions	4,000,000	7,000,000
Provision for standard assets	1,339,890	1,573,393
Provision for wealth tax	6,108	5,617
Contingency provision	(1,337,473)	(1,587,646)
(Profit)/Loss on sale of fixed assets	10,385	(12,420)
Provision/Charge for Dimunition in value of Investment	537,294	934,030
	124,825,892	**103,426,009**
Adjustments for :		
(Increase) / Decrease in Investments	(142,403,428)	(267,769,643)
(Increase) / Decrease in Advances	(497,182,761)	(391,941,115)
Increase / (Decrease) in Deposits	495,521,931	382,523,632
(Increase) / Decrease in Other assets	33,359,910	(66,454,847)
Increase / (Decrease) in Other liabilities and provisions	(34,229,915)	74,606,012
	(20,108,371)	**(165,609,952)**
Direct taxes paid (net of refunds)	(38,336,069)	(28,202,444)
Net cash flow used in operating activities	**(58,444,440)**	**(193,812,396)**
Cash flows used in investing activities		
Purchase of fixed assets	(9,107,375)	(6,886,199)
Proceeds from sale of fixed assets	45,519	45,052
Investment in subsidiaries and/or joint ventures	(28,817)	(28,994)
Net cash used in investing activities	**(9,090,673)**	**(6,870,141)**
Cash flows from financing activities		
Increase in Minority Interest	376,784	619,965
Money received on exercise of stock options by employees	11,171,001	5,306,602
Proceeds from issue of Upper and Lower Tier II capital instruments	60,470,000	36,500,000
Redemption of subordinated debt	-	(2,000)
Increase / (Decrease) in Borrowings (excluding Subordinate debt, Perpetual debt and Upper Tier II instruments)	70,813,587	80,339,147
Dividend paid during the year	(10,135,020)	(7,716,703)
Tax on Dividend	(1,643,901)	(1,247,276)
Net cash generated from financing activities	**131,052,451**	**113,799,735**
Effect of Exchange Fluctuation on Translation reserve	**42,672**	**251,651**
Net Increase/(Decrease) in cash and cash equivalents	**63,560,010**	**(86,631,151)**
Cash and cash equivalents as at April 1st	**211,751,624**	**298,382,775**

Particulars	Year Ended 31-Mar-13	Year Ended 31-Mar-12
Cash and cash equivalents as at March 31st	**275,311,634**	**211,751,624**

As per our report of even date.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No.: 101248W

N Sampath Ganesh
Partner

Membership No.: 042554
Mumbai , April 23, 2013

For and on behalf of the Board

C. M. Vasudev
Chairman

Aditya Puri
Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Harish Engineer
Executive Director

Paresh Sukthankar
Executive Director

A. N. Roy
Bobby Parikh
Keki Mistry
Partho Datta
Renu Karnad
Vijay Merchant
Directors

Schedules to the Consolidated Financial Statements
SCHEDULE 1 – CAPITAL

₹ in '000

	As at 31-Mar-13	As at 31-Mar-12
Authorised capital	5,500,000	5,500,000
2,75,00,00,000 (31 March, 2012 : 2,75,00,00,000) Equity Shares of ₹ 2/- each		
Issued, subscribed and paid-up capital	4,758,838	4,693,377
237,94,19,030 (31 March, 2012 : 2,34,66,88,270) Equity Shares of ₹ 2/- each		
Total	**4,758,838**	**4,693,377**

SCHEDULE 2 - RESERVES AND SURPLUS

₹ in '000

	As at 31-Mar-13	As at 31-Mar-12
I Statutory reserve		
Opening balance	53,248,271	40,228,045
Additions during the year	17,020,712	13,020,226
Total	**70,268,983**	**53,248,271**
II General reserve		
Opening balance	19,402,716	14,235,625
Additions during the year	6,726,285	5,167,091
Total	**26,129,001**	**19,402,716**
III Balance in profit and loss account	**114,759,351**	**86,213,878**
IV Share premium account		
Opening balance	124,749,640	119,484,158
Additions during the year	10,887,109	5,265,482
Total	**135,636,749**	**124,749,640**
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	2,954,677	2,954,677
Additions during the year	858,498	-
Total	**3,813,175**	**2,954,677**
VII Investment reserve account		
Opening balance	-	416,937
Additions during the year	231,802	178
Deductions during the year	(55,166)	(417,115)
Total	**176,636**	**-**
VIII Foreign currency translation account		
Opening balance	206,308	(45,343)
Additions during the year	42,672	251,651
Total	**248,980**	**206,308**
Total	**361,668,439**	**297,411,054**

SCHEDULE 2 A - MINORITY INTEREST

₹ in '000

	As at 31-Mar-13	As at 31-Mar-12
Minority interest at the date on which parent subsidiary relationship came into existence	276,029	276,029
Subsequent increase	1,937,341	1,560,557

	As at 31-Mar-13	As at 31-Mar-12
Total	2,213,370	1,836,586

Includes reserves of Employee Welfare Trust of ₹ 56.98 crores (previous year ₹ 51.50 crores)

SCHEDULE 3 – DEPOSITS

₹ in '000

	As at 31-Mar-13	As at 31-Mar-12
A I Demand deposits		
(i) From banks	10,385,135	9,122,028
(ii) From others	511,964,115	443,916,968
Total	**522,349,250**	**453,038,996**
II Savings bank deposits	**882,099,711**	**739,974,624**
III Term deposits		
(i) From banks	14,278,854	13,839,859
(ii) From others	1,542,189,884	1,258,542,289
Total	**1,556,468,738**	**1,272,382,148**
Total	**2,960,917,699**	**2,465,395,768**
B I Deposits of branches in India	2,944,855,098	2,456,037,952
II Deposits of branches outside India	16,062,601	9,357,816
Total	**2,960,917,699**	**2,465,395,768**

SCHEDULE 4 – BORROWINGS

₹ in '000

	As at 31-Mar-13	As at 31-Mar-12
I Borrowings in India		
(i) Reserve Bank of India	2,750,000	400,000
(ii) Other banks	46,706,913	28,689,710
(iii) Other institutions and agencies	43,830,200	33,062,425
(iv) Upper and lower Tier II capital and innovative perpetual debts	166,439,000	105,969,000
Total	**259,726,113**	**168,121,135**
II Borrowings outside India*	**135,240,014**	**95,220,405**
Total	**394,966,127**	**263,341,540**

**Includes Upper Tier II debt of ₹542.85 crores (previous year : ₹508.75crores)*

Secured borrowings included in I & II above: ₹5,759.80 crores (previous year: ₹2,302.97crores)

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

₹ in '000

	As at 31-Mar-13	As at 31-Mar-12
I Bills payable	54,787,708	54,657,302
II Interest accrued	63,733,348	52,150,518
III Others (including provisions)	208,300,224	250,118,897
IV Contingent provisions against standard assets	10,560,063	9,207,881

	As at 31-Mar-13	As at 31-Mar-12
V Proposed dividend (including tax on dividend)	15,324,034	11,734,173
Total	**352,705,377**	**377,868,771**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

₹ in '000

	As at 31-Mar-13	As at 31-Mar-12
I Cash in hand (including foreign currency notes)	50,112,036	43,075,004
II Balances with Reserve Bank of India in :		
(a) Current accounts	94,196,754	104,841,302
(b) Other accounts	2,000,000	2,000,000
Total	**96,196,754**	**106,841,302**
Total	**146,308,790**	**149,916,306**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

₹ in '000

	As at 31-Mar-13	As at 31-Mar-12
I **In India**		
(i) Balances with banks :		
(a) In current accounts	3,346,215	1,635,807
(b) In other deposit accounts	49,002,392	20,891,080
Total	**52,348,607**	**22,526,887**
(ii) Money at call and short notice :		
(a) With banks	17,850,000	2,700,000
(b) With other institutions	-	2,157,684
Total	**17,850,000**	**4,857,684**
Total	**70,198,607**	**27,384,571**
II **Outside India**		
(i) In current accounts	5,876,363	1,534,618
(ii) In other deposit accounts	8,142,750	4,070,000
(iii) Money at call and short notice	44,785,125	28,846,125
Total	**58,804,238**	**34,450,743**
Total	**129,002,845**	**61,835,314**

SCHEDULE 8 - INVESTMENTS

₹ in '000

	As at 31-Mar-13	As at 31-Mar-12
A Investments in India in		
(i) Government securities	849,023,184	762,178,489
(ii) Other approved securities	-	4,919
(iii) Shares	1,418,665	1,018,356
(iv) Debentures and bonds	17,269,037	9,636,860
(v) Joint venture	508,300	479,483
(vi) Others (units, CD/CP, PTC, security receipts and NABARD deposits)	236,353,772	194,626,948
Total	**1,104,572,958**	**967,945,055**
B Investments outside India in		
Other Investments		
(a) Shares	9,396	6,033
(b) Debentures and bonds	5,021,770	-
Total	**5,031,166**	**6,033**

	As at 31-Mar-13	As at 31-Mar-12
Total	**1,109,604,124**	**967,951,088**
C Investments		
(i) Gross value of investments		
(a) In India	1,106,955,742	970,214,373
(b) Outside India	5,031,166	6,033
Total	**1,111,986,908**	**970,220,406**
(ii) Provision for depreciation		
(a) In India	2,382,784	2,269,318
(b) Outside India	-	-
Total	**2,382,784**	**2,269,318**
(iii) Net value of investments		
(a) In India	1,104,572,958	967,945,055
(b) Outside India	5,031,166	6,033
Total	**1,109,604,124**	**967,951,088**

SCHEDULE 9 - ADVANCES

₹ in '000

	As at 31-Mar-13	As at 31-Mar-12
A (i) Bills purchased and discounted	123,219,205	122,124,431
(ii) Cash Credits, overdrafts and loans repayable on demand	945,869,566	686,271,861
(iii) Term loans	1,403,362,380	1,179,979,011
Total	**2,472,451,151**	**1,988,375,303**
Loans with tenor of less than one year are classified under A (ii) above.		
B (i) Secured by tangible assets*	1,832,585,009	1,449,166,862
(ii) Covered by bank/Government guarantees	61,551,311	55,552,871
(iii) Unsecured	578,314,831	483,655,570
Total	**2,472,451,151**	**1,988,375,303**
** Including advances against Book debts*		
C I Advances in India		
(i) Priority sector	770,444,752	643,340,467
(ii) Public sector	84,217,368	70,538,519
(iii) Banks	917,007	3,714,239
(iv) Others	1,520,913,534	1,211,566,378
Total	**2,376,492,661**	**1,929,159,603**
II Advances outside India		
(i) Due from banks	18,469,102	18,418,646
(ii) Due from others		
a) Bills purchased and discounted	409,362	35,333
b) Syndicated loans	13,623,839	13,166,585
c) Others	63,456,187	27,595,136
Total	**95,958,490**	**59,215,700**
Total	**2,472,451,151**	**1,988,375,303**
Advances are net of provisions		

SCHEDULE 10 - FIXED ASSETS

₹ in '000

	As at 31-Mar-13	As at 31-Mar-12
A Premises (including land)		
Gross block		
At cost on 31 March of the preceding year	10,519,672	10,272,964
Additions during the year	1,140,440	262,354
Deductions during the year	(17,718)	(15,646)

	As at 31-Mar-13	As at 31-Mar-12
Total	**11,642,394**	**10,519,672**
Depreciation		
As at 31 March of the preceding year	2,488,876	2,106,522
Charge for the year	443,998	394,596
On deductions during the year	(15,981)	(12,242)
Total	**2,916,893**	**2,488,876**
Net block	**8,725,501**	**8,030,796**
B Other fixed assets (including furniture and fixtures)		
Gross block		
At cost on 31 March of the preceding year	45,181,384	38,468,673
Additions during the year	9,504,932	7,084,005
Deductions during the year	(772,373)	(370,235)
Total	**53,913,943**	**45,182,443**
Depreciation		
As at 31 March of the preceding year	29,434,114	24,625,703
Charge for the year	6,190,167	5,148,998
On deductions during the year	(717,999)	(340,588)
Total	**34,906,282**	**29,434,113**
Net block	**19,007,661**	**15,748,330**
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	**27,733,162**	**23,779,126**

SCHEDULE 11 - OTHER ASSETS

₹ in '000

	As at 31-Mar-13	As at 31-Mar-12
I Interest accrued	39,225,430	32,014,775
II Advance tax / tax deducted at source (net of provisions)	15,915,695	12,131,614
III Stationery and stamps	165,999	165,891
IV Non banking assets acquired in satisfaction of claims	-	311
V Bond and share application money pending allotment	29,333	-
VI Security deposit for commercial and residential property	4,125,210	3,771,693
VII Others*	132,668,111	170,608,695
Total	**192,129,778**	**218,692,979**
**Includes deferred tax asset (net) of ₹1,913.06 crores (previous year: ₹ 1,465.34 crores)*		

SCHEDULE 12 - CONTINGENT LIABILITIES

₹ in '000

	As at 31-Mar-13	As at 31-Mar-12
I Claims against the bank not acknowledged as debts -Taxation	9,351,700	13,569,384
II Claims against the bank not acknowledged as debts -Others	3,987,800	2,884,893
III Liability on account of outstanding forward exchange contracts	4,467,860,687	5,648,764,494
IV Liability on account of outstanding derivative contracts	2,292,213,027	2,626,390,521
V Guarantees given on behalf of constituents		
- In India	162,354,071	133,170,215
- Outside India	3,993,576	436,144
VI Acceptances, endorsements and other obligations	220,595,426	209,182,124
VII Other items for which the bank is contingently liable	40,882,506	18,723,709
Total	**7,201,238,793**	**8,653,121,484**

SCHEDULE 13 - INTEREST EARNED

₹ in '000

	Year Ended 31-Mar-13	Year Ended 31-Mar-12
I Interest / discount on advances / bills	275,912,115	214,250,740
II Income from investments	78,242,820	65,061,806
III Interest on balance with RBI and other inter-bank funds	3,019,141	1,540,385
IV Others	1,436,137	1,081,113
Total	**358,610,213**	**281,934,044**

SCHEDULE 14 - OTHER INCOME

₹ in '000

	Year Ended 31-Mar-13	Year Ended 31-Mar-12
I Commission, exchange and brokerage	54,426,310	45,210,266
II Profit / (loss) on sale of investments (net)	1,278,691	(1,061,376)
III Profit / (loss) on revaluation of investments (net)	348,627	(897,174)
IV Profit / (loss) on sale of building and other assets (net)	(10,385)	12,420
V Profit on exchange transactions (net)	12,317,708	12,653,760
VI Income earned by way of dividends etc. from subsidiaries / companies and / or joint ventures abroad/in India	7,693	11,655
VII Miscellaneous income	2,961,001	3,993,639
Total	**71,329,645**	**59,923,190**

SCHEDULE 15 - INTEREST EXPENDED

₹ in '000

	Year Ended 31-Mar-13	Year Ended 31-Mar-12
I Interest on deposits	163,132,026	126,846,290
II Interest on RBI / inter-bank borrowings	28,335,378	22,087,761
III Other interest	5,487,070	2,127,191
Total	**196,954,474**	**151,061,242**

SCHEDULE 16 - OPERATING EXPENSES

₹ in '000

	Year Ended 31-Mar-13	Year Ended 31-Mar-12
I Payments to and provisions for employees	42,017,887	35,730,909
II Rent, taxes and lighting	8,615,335	7,342,370
III Printing and stationery	3,117,920	2,349,491
IV Advertisement and publicity	1,870,160	1,548,342
V Depreciation on property	6,632,647	5,541,628
VI Directors' fees, allowances and expenses	7,701	5,103
VII Auditors' fees and expenses	14,612	11,725
VIII Law charges	509,569	317,465
IX Postage, telegram, telephone etc.	4,147,333	3,660,226
X Repairs and maintenance	7,753,007	6,257,576
XI Insurance	2,882,090	2,421,945
XII Other expenditure*	37,950,702	29,760,229
Total	**115,518,963**	**94,947,009**

** Includes marketing expenses, professional fees, commission to sales agents, travel and hotel charges, entertainment, registrar and transfer agency fees 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, 2013

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 commercial banking and treasury operations. The Bank is governed by the Banking Regulation Act, 1949. The Bank has overseas branch operations in Bahrain and Hong Kong.

B. Principles of consolidation

The consolidated financial statements comprise the financial statements of the Bank, its subsidiaries and associates, which together constitute the 'Group'.

The Bank consolidates its subsidiaries in accordance with Accounting Standard ('AS') 21, Consolidated Financial Statements, notified by the Companies Accounting Standard Rules, 2006 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, notified by the Companies Accounting Standard Rules, 2006.

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 notified under the Companies Accounting Standard Rules, 2006 to the extent applicable and current practices prevailing within the banking industry in India. Suitable adjustments are made to align with the format prescribed under the Banking Regulation Act, 1949.

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 expense 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	62.1%
HDB Financial Services Limited	Subsidiary	India	97.4%
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 dependants has been entirely consolidated.*

*** Denotes HDFC Bank's direct interest.*

Further during the year ended March 31, 2013 the stockholding in HDB Financial Services Limited has decreased from 97.42% to 97.38% on account of 160,150 stock options exercised and allotted to Minority Stakeholders. The stockholding in HDFC Securities Limited has decreased from 63.0% to 62.1% on account of 234,225 stock options exercised and allotted to 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, 2013.

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.

Recording purchase and sale transactions in securities is done following 'Settlement Date' 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 the above categories, are classified under AFS category.

Acquisition cost

In determining acquisition cost of an investment:

- Brokerage, Commission, etc. paid at the time of acquisition, are charged to revenue.
- Broken period interest on debt instruments is treated as a revenue item.
- Cost of investments is based on the weighted average cost method.

Disposal of investments

Profit / Loss on sale of investments under the aforesaid three categories is recognised in the Statement of Profit and Loss. 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 not recognised. 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, wherever linked to the YTM rates, 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. 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 is made thereon based on the RBI guidelines. The depreciation / provision is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Profit or Loss Account 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 as interest expense and revenue on reverse repo transactions is accounted 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 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 are expected to mature after twelve months are taken as non current/ long term investment & are stated at cost. Provisions are made only in case of diminution, which are not temporary in nature, in the value of Investment. 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 taken as Current investments/short term and are valued at lower of cost and net realizable value.

HDB Employees Welfare Trust

Investments which are long term in nature are stated at cost. Provisions are made only in case of diminution, which is other than temporary, in the value of Investment.

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 profit and loss and included under Provisions and Contingencies. 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 at levels stipulated by RBI from time to time. Provision for the standard assets held by the Bank is not reversed. 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 these regulatory requirements or provisions which are not made with respect to specific non-performing assets are categorised as floating provisions. Creation of further floating provisions is considered by the Bank up to a level approved by the Board of Directors. Floating provisions are not reversed by credit to the Statement of Profit and Loss and can be used only for contingencies under extraordinary circumstances for making specific provisions towards impaired accounts after obtaining Board approval and with prior permission of RBI. 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 Limited ('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, 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. Restructuring of an account is done at a borrower level.

HDB Financial Services Limited

Advances are classified as standard, sub - standard and non - performing assets as per the company policy approved by the Board which are more stringent than the relevant RBI guidelines. Interest on non-performing advances is transferred to an interest suspense account and not recognized in the Statement of Profit and Loss until received.

3. Securitisation and transfer of assets

HDFC Bank Limited

The Bank securitises out its receivables subject to the minimum holding period criteria and the minimum retention requirements 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 minimum holding period criteria and the minimum retention requirements (' 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 at the end of every financial year. 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 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 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**

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 rates of depreciation are not lower than the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation rates for certain key fixed assets are given below:

Asset	Depreciation Rate per annum
Owned Premises	1.63%
VSATs	10.00%
ATMs	10.00%
Office equipments	16.21%
Computers	33.33%
Motor cars	25.00%
Software and system development expenditure	20.00%
Assets at residences of executives of the Bank	25.00%

- Improvements to lease hold premises are charged off over the remaining primary period of lease.
- Items (excluding staff assets) costing less than ₹ 5,000 and point of sale terminals are fully depreciated in the year of purchase.
- All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956.
- For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Bank.
- The Bank undertakes assessment of the useful life of an asset at periodic intervals taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use etc. Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable am*ount is charged over the revised remaining useful life of the said asset.*

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.

Depreciation is provided on a pro-rata basis using the straight-line method over the estimated useful lives of the assets or at the rates prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher, as follows:

Asset	Estimated useful life
Computers	3 years
Computer peripherals	4 years
Office equipment	6 years
Furniture and fixture	15 years
Leasehold Improvements	over the primary period of the lease
Vehicles	4 years
Office premises	61 years

- All tangible and intangible assets costing less than ₹ 5,000 individually are fully depreciated in the year of purchase.
- Depreciation methods and 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.
- 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	5 years

Asset	Estimated useful life
Bombay stock exchange card	10 years

HDB Financial Services Limited

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all other expenditure in relation to site preparation, installation costs and professional fees incurred on the asset before it is ready for 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 asset on a straight-line basis. The rates of depreciation for certain key fixed assets used in arriving at the charge for the year are as under:

Asset	Depreciation rate per annum
Office equipments	16.21%
Computers	33.33%
Motor cars	20.00%
Immovable property	1.63%
Software and system development expenditure	33.33%
Furniture & fixtures	9.50%

- Improvements to lease hold premises are charged off over the primary period of lease or its useful life, whichever is shorter.
- Items costing less than ₹ 5,000 are fully depreciated in the year of purchase.
- All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956.
- For assets purchased and sold during the year, depreciation is being provided on pro rata basis by the Company.
- Any expenses on such software for support and maintenance payable annually are charged to statement of Profit & 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') 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 the disposal of the net investment in the non-integral foreign operations.

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 contracts for longer maturities i.e. greater than one year are revalued using MIFOR (Mumbai Interbank Forward Offer Rate) and contracts with USD-INR currency pair are valued using USD LIBOR (London Interbank Offered Rate) rates. For other currency pairs, the forward points (as published by FEDAI) are extrapolated. The resulting profit or loss on valuation 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 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 a forward exchange contract is amortised as expense or income over the life of the contract.

Currency futures contracts are marked to market daily using settlement price on a trading day, which is the closing price of the respective futures contracts on that day. While the daily settlement price is computed 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 futures contract or as may be specified by the relevant authority from time to time. All open positions are marked to market based on the settlement price and the resultant marked to market profit / loss is daily settled with the exchange.

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 the 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 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 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 Pass Through Certificates (‘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 is 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 as the related services are performed. Commissions are recorded on a trade date basis as the securities transactions occur.

- 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.

Other income

- 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 recognized in the profit or loss account on an accrual basis. In case of Non Performing Assets 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.

- BPO Services and other financial charges are recognized 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.

- Income from dividend is recognized in the Statement of Profit and Loss when the right to receive is established.

- Gains arising on assignment of assets are not recognised due to uncertainty over future receivables & principle of conservatism, while loss, if any is recognised upfront. Gain arising on securitisation transaction is recognised as per RBI Guidelines.

HDB Employees Welfare Trust

- Interest income is recognised in the Income and Expenditure Account on an accrual basis.

- Income from Dividend is recognised in Income and Expenditure Account when the right to receive is established.

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's compensation plans. Compensation cost is measured by the excess, if any, of the fair market price of the underlying stock over the exercise price as determined under the option plan. The fair 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 is in the form of lump sum payment to vested 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. Vesting occurs upon completion of five years 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 (Revised 2005), 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 Managing Director, Executive 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 ₹ 6500 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 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 (revised 2005), 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 Actuarial Society of India and provision towards this liability is made.

The overseas branches of the bank makes contributions to the 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 have 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 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

Short term employee benefits

Short term employees benefits are recognized as an expense at the undiscounted amounts in the Statement of Profit and Loss for the year in which the related services rendered.

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, on 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 funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The defined gratuity benefit plans 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 recognized 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. 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 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. The Company provides for compensated absences in accordance with AS 15 (revised 2005) Employee Benefits. 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 the said reward points are made based on the actuarial valuation report as furnished by the said independent actuary.

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 quoted by supplier is also reflected under commission income.

The Bank also borrows and lends gold, which is treated as borrowing / lending as the case may be with the interest paid / received classified as interest expense / income.

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 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 and the rules framed there under) and the net change in the deferred tax asset or liability in 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. Segment information - Basis of preparation

Group

The segmental classification to the respective segments is in accordance with AS-17, Segment Reporting. 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 with the help of specialist product groups to such customers. 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 of the Bank 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 viz. HDFC Securities Limited, HDB Financial Services Limited and HDB Employee Welfare Trust.

(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 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.

16. 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. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

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.

17. 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.

Schedule 18-Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2013

Amounts in Notes forming part of the Financial Statements for the year ended March 31, 2013 are denominated in Rupee crore to conform to extant RBI guidelines.

1. Sub-division of equity shares

The shareholders of the Bank at the 17th Annual General Meeting held on July 6, 2011 approved sub-division (split) of one equity share of the Bank from nominal value of ₹ 10/- each into five equity shares of nominal value of ₹ 2/- each.

2. Change in Classification

- As per market practice, the Bank pays commission to sales agents and also receives front ended subventions/commission/fees from dealers and manufacturers for originating retail asset products. The net commission paid is expensed in the year in which it is incurred. Pursuant to RBI's instructions vide its letter dated March 22, 2013, the Bank has, effective year ended March 31, 2013, classified the net commission as follows:

- Commission paid to sales agents for originating fixed tenor retail loans is classified under Operating Expenses and subvention received from dealers and manufacturers is classified under Other Income.

- The net commission paid was hitherto reduced from Interest Income. Accordingly, ₹ 738.58crore (previous year: ₹ 624.44 crore) of commission paid to sales agent is included under Operating Expenses and ₹ 48.42crore (previous year: ₹ 36.60crore) of subvention received from dealers and manufacturers is included under Other Income. Figures for the previous year have accordingly been regrouped/ reclassified to conform to current year's classification. The above change in classification has no impact on the profit and loss of the Bank for the years ended March 31, 2013 and March 31, 2012.

- The Bank recognizes in the Statement of Profit and Loss Account, provision for NPAs, direct charge offs, write back of provision for NPAs and recoveries from written off accounts. Pursuant to RBI's instructions vide its letter dated March 22, 2013, the Bank has, effective year ended March 31, 2013, classified the recoveries from written off accounts under Other Income and the direct charge offs under Operating Expenses. These were hitherto included in the specific loan loss charge under Provisions and Contingencies. Accordingly, ₹ 496.54crore (previous year: ₹ 503.33 crore) of recoveries from written-off accounts are included under Other Income and ₹ 78.93crore (previous year: ₹ 63.14crore) of direct charge offs are included under Operating Expenses. Figures for the previous year have accordingly been regrouped/ reclassified to conform to current year's classification. The above change in classification has no impact on the profit and loss of the Bank for the years ended March 31, 2013 and March 31, 2012.

3. Earnings per equity share

Basic and Diluted earnings per equity share have been calculated based on the net profit after taxation of ₹ 6,869.64 crore (previous year: ₹ 5,247.02 crore) and the weighted average number of equity shares outstanding during the year of 236,09,60,867 (previous year: 233,67,04,062)

Following is the reconciliation between basic and diluted earnings per equity share:

Particulars	**For the year ended (₹)**	
	March 31, 2013	**March 31, 2012**
Nominal value per share	2.00	2.00
Basic earnings per share	29.10	22.45
Effect of potential equity shares (per share)	(0.32)	(0.21)
Diluted earnings per share	28.78	22.24

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, 2013	**March 31, 2012**
Weighted average number of equity shares used in computing basic earnings per equity	2,360,960,867	2,336,704,062

Particulars	For the years ended	
	March 31, 2013	March 31, 2012
share		
Effect of potential equity shares outstanding	26,076,830	21,625,067
Weighted average number of equity shares used in computing diluted earnings per equity share	2,387,037,697	2,358,329,129

4. Reserves and surplus

Draw down from reserves

There has been no draw down from reserves during the year ended March 31, 2013.

General reserve

The Bank has made an appropriation of ₹ 672.63 crore (previous year: ₹ 516.71 crore) out of profits for the year ended March 31, 2013 to General Reserve pursuant to Companies (Transfer of Profits to Reserves) Rules, 1975.

Investment reserve account

During the year ended March 31, 2013, the Bank has appropriated ₹ 17.66crore (net) from Profit and Loss Account to Investment Reserve Account. In the previous year, the Bank transferred ₹ 41.69 crore (net) from Investment Reserve Account to Profit and Loss Account.

5. Accounting for employee share based payments

HDFC Bank Limited

The shareholders of the Bank approved grant of equity share options under Plan "B" in June 2003, Plan "C" in June 2005, Plan "D" in June 2007 and Plan "E" in June 2010. Under the terms of each of these Plans, the Bank may issue Equity Stock Options ('ESOPs') to employees and 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.

Plans B, C, D and E provide for the issuance of options at the recommendation of the Compensation Committee at the closing price on the working day immediately preceding the date when options are granted. For Plan B the price is that quoted on an Indian stock exchange with the highest trading volume during the preceding two weeks, while for Plans C, D and E the price is that quoted 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 Compensation Committee. These options are exercisable on vesting, for a period as set forth by the Compensation Committee at the time of grant. The period in which options may be exercised cannot exceed five years. Modifications, if any, made to the terms and conditions of ESOPs as approved by the Compensation Committee are disclosed separately.

The erstwhile Centurion Bank of Punjab had granted stock options to its employees prior to its amalgamation with the Bank. The options were granted under the following Schemes framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time:

1. Key ESOP
2. General ESOP

The outstanding options granted under each of the above schemes and the grant prices were converted into equivalent HDFC Bank options and prices in the swap ratio of 1:29 i.e. 1 stock option of HDFC Bank for every 29 stock options granted and outstanding of eCBoP as on May 23, 2008, the effective date of the amalgamation, in accordance with Clause 9.9 of the scheme of amalgamation of eCBoP with the Bank. The vesting dates for the said stock options granted in various tranches were revised as per Clause 9.9 of the Scheme. All the aforesaid stock options are exercisable within a period of 5 years from the date of vesting. Key options were granted at an exercise price, which was less than the then fair market price of the shares. General options were granted at the fair market price. The fair market price was the latest available closing price, prior to the date of meeting of the Board of Directors in which options were granted or shares were issued, on the stock exchange on which the shares of the Bank were listed. If the shares were listed on more than one stock exchange, then the stock exchange where there was highest trading volume on the said date was considered.

Along with approving the sub-division of the Bank's equity shares, the shareholders at the AGM also approved the consequent adjustments to the stock options to employees under its various schemes such that all employee stock options available for grant (including lapsed and forfeited options available for reissue) and those already granted but not exercised as on record date were proportionately converted into options for shares of face value of ₹ 2/- each and the grant price of all the outstanding stock options (vested, unvested and unexercised options) on the record date was proportionately adjusted by dividing the existing grant price by 5. The record date for this purpose was fixed as July 16, 2011.

All the numbers in the tables appearing hereinafter pertaining to stock options are given post sub-division of shares as stated above.

Method used for accounting for shared based payment plan

The Bank has elected to use intrinsic value method to account for the compensation cost of stock options to employees and directors of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option.

Activity in the options outstanding under the Employee Stock Options Plan

- Activity in the options outstanding under the employee stock options plan as at March 31, 2013:

Particulars	**Options**	**Weighted average exercise price (₹)**
Options outstanding, beginning of year	99,872,740	389.52
Granted during the year	-	-
Exercised during the year*	33,459,050	333.87
Forfeited / lapsed during the year	970,645	433.59
Options outstanding, end of year	65,443,045	417.32
Options exercisable	56,752,845	409.46

**includes 728,290 options exercised, pending allotment of equity shares as of March 31, 2013.*

- Activity in the options outstanding under the employee stock options plan as at March 31, 2012:

Particulars	**Options**	**Weighted average exercise price (₹)**
Options outstanding, beginning of year	85,924,615	325.27
Granted during the year	35,603,250	468.67
Exercised during the year	20,559,850	257.91
Forfeited / lapsed during the year	1,095,275	381.23
Options outstanding, end of year	99,872,740	389.52
Options exercisable	56,415,090	332.53

- Following table summarises the information about stock options outstanding as at March 31, 2013:

Plan	**Range of exercise price (₹)**	**Number of shares arising out of options**	**Weighted average life of options (in years)**	**Weighted average exercise price (₹)**
Plan B	198.97 to 219.74	614,500	0.53	203.50
Plan C	198.97 to 219.74	705,400	0.44	208.12

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan D	219.74 to 340.96	12,058,100	1.39	285.60
Plan E	440.16 to 508.23	51,175,300	3.65	457.40
Key ESOP	-	-	-	-
General ESOP	107.30 to 251.72	889,745	1.09	210.75

- Following table summarises the information about stock options outstanding as at March 31, 2012:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan B	71.72 to 219.74	1,950,300	1.16	207.68
Plan C	126.12 to 219.74	3,421,500	0.93	191.41
Plan D	219.74 to 340.96	26,489,250	2.12	276.03
Plan E	440.16 to 508.23	66,270,250	4.55	455.47
Key ESOP	23.20	33,595	1.04	23.20
General ESOP	88.45 to 251.72	1,707,845	1.88	202.65

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 options were granted during the year ended March 31, 2013. The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2012 were:

Particulars	March 31, 2012
Dividend yield	0.65% to 0.70%
Expected volatility	29.35%
Risk- free interest rate	8.04% to 8.22%
Expected life of the option	1 to 6 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 outstanding 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:

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Net Profit (as reported)	6,726.28	5,167.09
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock based compensation expense determined under fair value based method (proforma)	431.62	377.83
Net Profit (proforma)	6,294.66	4,789.26
	(₹)	**(₹)**
Basic earnings per share (as reported)	28.49	22.11
Basic earnings per share (proforma)	26.66	20.50
Diluted earnings per share (as reported)	28.18	21.91
Diluted earnings per share (proforma)	26.37	20.31

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, 2013:

Particulars	EWT options	Company options	Weighted average exercise price (₹)
Options outstanding, beginning of year	-	371,400	135.00
Granted during the year	-	-	-
Exercised during the year	-	234,225	135.00
Forfeited during the year	-	12,000	135.00
Lapsed during the year	-	2,275	135.00
Options outstanding, end of year	-	122,900	135.00
Options Exercisable	-	122,900	135.00

- Activity in the options outstanding under the Employees Stock Options Plan as at March 31, 2012:

Particulars	EWT options	Company options	Weighted average exercise price (₹)
Options outstanding, beginning of year	100,212	442,550	135.00
Granted during the year	-	-	-
Exercised during the year	100,212	61,050	135.00
Forfeited during the year	-	5,600	135.00
Lapsed during the year	-	4,500	135.00
Options outstanding, end of year	-	371,400	135.00
Options Exercisable	-	172,300	135.00

- Following table summarises the information about stock options outstanding as at March 31, 2013:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of unvested options(in years)	Weighted average exercise price (₹)
Company Options	135.00	122,900	1.61	135.00
EWT Options	-	-	-	-

- Following table summarises the information about stock options outstanding as at March 31, 2012:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of unvested options(in years)	Weighted average exercise price (₹)
Company Options	135.00	371,400	2.28	135.00

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of unvested options(in years)	Weighted average exercise price (₹)
EWT Options	-	-	-	-

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 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 31 March, 2013 are:

Particulars	EWT options	Company options
Dividend yield	Nil	Nil
Expected volatility	73.56% to 79.04%	71.53% to 72.67%
Risk-free interest rate	6.53% to 8.19%	6.22% to 7.18%
Expected life of the option	0-2 years	0-5 years

Impact of fair value method on net profit and EPS

Had compensation cost for the Company's stock option plans outstanding 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:

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Net Profit (as reported)	66.82	54.09
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock- based compensation expense determined under fair value based method (proforma)	0.25	0.83
Net Profit (proforma)	66.57	53.26
	(₹)	**(₹)**
Basic and diluted earnings per share (as reported)	44.09	35.87
Basic and diluted earnings per share (proforma)	43.92	35.32

HDB Financial Services Limited

- The shareholders of the Company approved stock option schemes ESOS-1 and ESOS-2 in April 2008, ESOS-3 in October 2009, ESOS-4 in October 2010, ESOS-5 in July 27, 2011 and ESOS-6 in June 11, 2012. 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.

- Shares under ESOS-2, ESOS-3 and parts of ESOS-4 & ESOS-5 have vested during the year and have been duly exercised.

- ESOS-6 provide for the issuance of options at the recommendation of the Compensation Committee of the Board at a price of ₹ 31 per share.

- Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed/approved by the Compensation Committee. Such options are exercisable for a period following 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 has elected to use 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 Options Plan

- Activity in the options outstanding under the Employee Stock Options Plan as at March 31, 2013:

Particulars	Options	Weighted average exercise price(₹)
Options outstanding, beginning of year	422,900	19.89
Granted during the year	691,000	31.00
Exercised during the year	160,150	18.59
Forfeited / lapsed during the year	50,000	26.85
Options outstanding, end of year	903,750	28.23

- Activity in the options outstanding under the Employee Stock Options Plan as at March 31, 2012:

Particulars	Options	Weighted average exercise price(₹)
Options outstanding, beginning of year	623,500	10.00
Granted during the year	154,500	25.00
Exercised during the year	341,600	11.68
Forfeited / lapsed during the year	13,500	17.50
Options outstanding, end of year	422,900	19.89

- Following table summarises the information about stock options outstanding as at March 31, 2013:

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(₹)	Vesting Conditions
ESOS - 4	17.50	147,100	2.34	17.50	3years service
ESOS - 5	25.00	86,650	3.02	25.00	3years service
ESOS - 6	31.00	670,000	3.60	31.00	3years service

- Following table summarises the information about stock options outstanding as at March 31, 2012:

Plan	Range of exercise price (₹)	Number o shares arising out of options	Weighted average remaining contractual life of options(in years)	Weighted average exercise price(₹)	Vesting Conditions
ESOS - 4	17.50	261,800	3.03	17.50	3years service
ESOS - 5	25.00	154,500	3.03	25.00	3years service

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 March 31, 2013 are:

Particulars	March 31, 2013	March 31, 2012

Particulars	March 31, 2013	March 31, 2012
Dividend yield	Nil	Nil
Expected volatility	35 - 60%	35 - 60%
Risk-free interest rate	8-9%	8-9%
Expected life of the option	3 to 5 years	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 outstanding 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:

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Net Profit (as reported)	150.13	51.11
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method (proforma)	0.42	0.14
Net Profit (proforma)	149.71	50.97
		(₹)
Basic earnings per share (as reported)	2.49	1.25
Basic earnings per share (proforma)	2.48	1.24
Diluted earnings per share (as reported)	2.49	1.25
Diluted earnings per share (proforma)	2.48	1.24

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 proforma amounts indicated below:

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Net Profit (as reported)	6,869.64	5,247.02
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method (proforma)	432.29	378.80
Net Profit (proforma)	6,437.35	4,868.22
	(₹)	**(₹)**
Basic earnings per share (as reported)	29.10	22.45
Basic earnings per share (proforma)	27.27	20.83
Diluted earnings per share (as reported)	28.78	22.24
Diluted earnings per share (proforma)	26.97	20.64

6. Dividend in respect of shares to be allotted on exercise of stock options

Any allotment of shares after the Balance Sheet date but before the book closure date pursuant to the exercise of options will be eligible for full dividend, if approved at the ensuing Annual General Meeting.

7. Upper & lower tier II capital and innovative perpetual debt instruments

HDFC Bank Limited

Subordinated debt (Lower Tier II capital), Upper Tier II capital and innovative perpetual debt instruments outstanding as at March 31, 2013 are ₹ 12,428.00 crore (previous year: ₹ 6,981.00 crore), ₹ 3,958.75 crore (previous year: ₹ 3,924.65 crore) and ₹ 200.00 crore (previous year: ₹ 200.00 crore) respectively.

The details of the bonds issued by the Bank during the year ended March 31, 2013 are given below:

Particulars	Date of Allotment	Coupon Rate (%)	Tenure	Amount (₹) incrore
Lower Tier II Bonds	August 13, 2012	9.45%	15 years[1]	3,477.00
Lower Tier II Bonds	October 31, 2012	8.95%	10 years[2]	565.00
Lower Tier II Bonds	December 28, 2012	9.10%	10 years[3]	1,405.00

[1]*Call Option exercisable on Aug 13, 2022 at par with the prior approval of RBI.*

[2] *Call Option exercisable on Oct 31, 2017 at par with the prior approval of RBI.*

[3]*Call Option exercisable on Dec 28, 2017 at par with the prior approval of RBI.*

The details of the bonds issued by the Bank during the year ended March 31, 2012 are given below:

Particulars	Date of Allotment	Coupon Rate (%)	Tenure	Amount (₹)in crore
Lower Tier II Bonds	May 12, 2011	9.48%	15 Years[1]	3,650.00

[1] *Call Option exercisable on May 12, 2021 at par with the prior approval of RBI*.

HDB Financial Services Limited

Subordinated debt (Lower Tier II capital) outstanding as at March 31, 2013 are ₹ 600.00crore (previous year: Nil).

The details of the bonds issued by HDB Financial Services Limited during the year ended March 31, 2013 are given below:

Particulars	Date of Allotment	Coupon Rate (%)	Tenure	Amount (₹) in crore
Lower Tier II Bonds	August 09, 2012	10.20%	10 Years	250
Lower Tier II Bonds	November 30, 2012	9.70%	10 Years	150
Lower Tier II Bonds	March 22, 2013	9.60%	10 Years	200

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 on March 31, 2013 include unrealised loss on foreign exchange and derivative contracts of ₹ 7,036.66 crore (previous year: ₹ 12,735.50 crore).

- Other liabilities include share application monies of ₹ 22.15 crore as on March 31, 2013 (previous year: Nil), received on exercise of employee stock options pending allotment of equity shares. These shares were subsequently allotted on April 4, 2013.

9. Investments

- Investments include securities of Face Value (FV) aggregating ₹ 1,745.00 crore (previous year: FV ₹ 1,345.00 crore) which are kept as margin for clearing of securities, of FV ₹ 12,100.00crore (previous year: FV ₹ 5,732.27 crore) which are kept as margin for Collateralised Borrowing and Lending Obligation (CBLO) and of FV aggregating ₹ 40.00 crore (previous year: FV ₹ 65.00 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 ₹ 6.00 crore (previous year: FV ₹ 6.00 crore) which are kept as margin with National Securities Clearing Corporation of India Ltd. ('NSCCIL'), of FV aggregating ₹ 5.00 crore (previous year: FV ₹ 5.00 crore) which are kept as margin with MCX - SX Clearing Corporation Ltd. and of FV aggregating ₹ 0.30 crore (previous year: FV ₹ 0.30 crore) which are kept as margin with United Stock Exchange for transacting in the currency derivative segment.

- Investments having FV aggregating ₹ 29,376.69 crore (previous year: FV ₹ 25,631.20 crore) are kept as margin towards Real Time Gross Settlement (RTGS) and those having FV aggregating ₹ 38,188.32 crore (previous year: ₹ 22,698.32 crore) are kept as margin towards liquidity adjustment facility 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 these investments as joint ventures.

10 Other Fixed Assets (including furniture and fixtures)

Other fixed assets includes amount capitalised on software, website cost and Bombay stock exchange card. Details regarding the same are as follows:

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Cost		
As at March 31 of the previous year	854.83	727.99
Additions during the year	266.10	126.84
Deductions during the year	(0.01)	-
Total (a)	**1,120.92**	**854.83**
Depreciation		
As at March 31 of the previous year	584.14	475.37
Charge for the year	148.82	108.77
On deductions during the year	(0.01)	-
Total (b)	**732.95**	**584.14**
Net value as at March 31 (a-b)	**387.97**	**270.69**

11 Other Assets

- Other Assets include deferred tax asset (net) of ₹ 1,913.06 crore (previous year: ₹ 1,465.34 crore). The break-up of the same is as follows:

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Deferred tax asset arising out of:		
Loan loss provisions	1,458.44	939.63
Employee Benefits	120.04	66.30
Others	392.15	520.90
Total (a)	**1,970.63**	**1,526.83**
Deferred tax liability arising out of:		
Depreciation	(57.57)	(61.49)
Total (b)	**(57.57)**	**(61.49)**
Deferred tax asset (net) (a-b)	**1,913.06**	**1,465.34**

- Other Assets includes deposits of ₹ 2.11crore (previous year: ₹ 2.11crore) maintained by HDFC Securities Limited with the Stock Exchange.

12. 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**

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Opening provision for reward points	85.80	59.33
Provision for reward points made during the year	109.35	55.10
Utilisation / write back of provision for reward points	(62.65)	(22.10)
Effect of change in rate for accrual of reward points	14.11	(6.53)
Effect of change in cost of reward points	(16.54)	-
Closing provision for reward points	130.07	85.80

(b) **Provision for legal and other contingencies**

(₹) incrore

Particulars	March 31, 2013	March 31, 2012
Opening provision	286.03	316.60
Movement during the year (net)	26.63	(30.57)
Closing provision	312.66	286.03

(c) **Description of contingent liabilities**

S. 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.
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,	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

S. No.	Contingent liability*	Brief description
	endorsements and other obligations	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

**Also refer Schedule 12 - Contingent Liabilities*

13. Commission, exchange and brokerage income

Commission, exchange and brokerage income is net of correspondent bank charges and brokerage paid on purchase and sale of investments.

14. Provisions and Contingencies

The break-up of 'Provisions and Contingencies' included in the Statement of Profit and Loss is given below:

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Provision for income tax - Current	3,373.58	2,670.13
- Deferred	(269.85)	(276.04)
Provision for wealth tax	0.61	0.56
Provision for NPAs	1,288.05	1,124.86
Provision for diminution in value of non performing investments	53.73	93.40
Provision for standard assets	133.97	157.34
Other provisions and contingencies*	266.27	514.24
Total	**4,846.36**	**3,871.30**

**Includes (write-back) / provisions for tax, legal and other contingencies ₹ (133.21) crore (previous year: ₹ (164.49) crore), floating provisions ₹ 400.00 crore (previous year: ₹ 700.00 crore), provisions for securitised-out assets ₹ 5.92 crore (previous year: ₹ 9.84 crore) and standard restructured assets ₹ (6.44) crore (previous year: ₹ (4.13) crore).*

15. Employee benefits

Gratuity

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	168.60	**137.63**
Interest cost	13.25	11.70
Current service cost	39.56	29.00
Benefits paid	(11.89)	(9.19)
Actuarial (gain) / loss on obligation:		
Experience adjustment	2.61	1.22
Assumption change	(2.31)	(1.76)
Present value of obligation as at March 31	**209.82**	**168.60**
Reconciliation of opening and closing balance of the fair value of the plan assets		

Particulars	March 31, 2013	March 31, 2012
Fair value of plan assets as at April 1	**93.32**	66.51
Expected return on plan assets	9.02	6.37
Contributions	40.15	30.55
Benefits paid	(11.89)	(9.19)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	2.00	(0.95)
Assumption change	-	0.03
Fair value of plan assets as at March 31	**132.60**	**93.32**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	132.60	93.32
Present value of obligation as at March 31	209.82	168.60
Asset / (liability) as at March 31	**(77.22)**	**(75.28)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	13.25	11.70
Current service cost	39.56	29.00
Expected return on plan assets	(9.02)	(6.37)
Net actuarial (gain) / loss recognised in the year	(1.69)	0.38
Net Cost	**42.10**	**34.71**
Actual return on plan assets	11.02	5.45
Estimated contribution for the next year	32.08	41.91
Assumptions (HDFC Bank Limited)		
Discount rate	8.1% per annum	8.8% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	9.0% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	8.0% per annum	8.5% per annum
Expected return on plan assets	8.6% per annum	8.6% per annum
Salary escalation rate	6.0% per annum	6.0% per annum
Assumptions (HDB Financial Services Limited)		
Discount rate	8.0% per annum	8.3% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate:		
General	5.0% per annum	5.0% per annum
Others	5.0% per annum	5.0% per annum

Experience adjustment

(₹) in crore

Particulars	Years ended March 31,				
	2013	2012	2011	2010	2009
Plan assets	132.60	93.32	66.51	52.24	45.67
Defined benefit obligation	209.82	168.60	137.63	100.10	73.19
Surplus / (deficit)	(77.22)	(75.28)	(71.12)	(47.86)	(27.52)
Experience adjustment gain / (loss) on plan assets	2.00	(0.95)	-	7.42	(3.68)
Experience adjustment (gain) / loss on plan liabilities	2.61	1.22	9.94	(5.05)	4.83

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, 2013 are given below:

Category of Plan Assets	HDFC Bank	HDFC Securities Limited	HDB Financial Services Limited
Government securities	33.5%	38.0%	13.6%
Debenture and bonds	33.2%	50.0%	82.3%
Equity shares	26.4%	8.0%	-

Others	6.9%	4.0%	4.1%
Total	**100.0%**	**100.0%**	**100.0%**

Pension

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	56.85	57.38
Interest cost	4.18	4.61
Current service cost	1.32	1.51
Benefits paid	(11.09)	(10.09)
Actuarial (gain) / loss on obligation:		
Experience adjustment	6.12	1.36
Assumption change	0.81	2.08
Present value of obligation as at March 31	**58.19**	**56.85**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	51.14	43.35
Expected return on plan assets	4.00	3.78
Contributions	6.41	15.39
Benefits paid	(11.09)	(10.09)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	(1.58)	(1.29)
Assumption change	-	-
Fair value of plan assets as at March 31	**48.88**	**51.14**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	48.88	51.14
Present value of obligation as at March 31	(58.19)	(56.85)
Asset / (liability) as at March 31	**(9.31)**	**(5.71)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	4.18	4.61
Current service cost	1.32	1.51
Expected return on plan assets	(4.00)	(3.78)
Net actuarial (gain) / loss recognised in the year	8.51	4.73
Net cost	**10.01**	**7.07**
Actual return on plan assets	2.42	2.49
Estimated contribution for the next year	9.48	6.28
Assumptions		
Discount rate	8.1% per annum	8.8% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	9.0% per annum

Experience adjustment

(₹) in crore

Particulars	**Years ended March 31,**				
	2013	**2012**	**2011**	**2010**	**2009**
Plan assets	48.88	51.14	43.35	38.78	36.90
Defined benefit obligation	58.19	56.85	57.38	40.70	34.60
Surplus / (deficit)	(9.31)	(5.71)	(14.03)	(1.92)	2.30
Experience adjustment gain / (loss) on plan assets	(1.58)	(1.29)	2.85	2.78	(2.69)
Experience adjustment (gain) / loss on plan liabilities	6.12	1.36	18.50	2.12	(8.06)

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, 2013 are given below:

Category of Plan Assets	% of fair value to total plan assets
Government securities	6.5
Debenture and bonds	66.7
Others	26.8
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 Actuary Society of India (ASI) 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 holds a provision of ₹ 9.57 crore as on March 31, 2013 (previous year: ₹ 9.77 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, 2013	March 31, 2012
Discount rate (GOI security yield)	8.0% per annum	8.8% per annum
Expected guaranteed interest rate	8.6% per annum	8.3% (1year) & average 8.6% thereafter

The guidance note on valuation of interest rate guarantee embedded in provident fund issued by ASI is effective from April 1, 2011. In the absence of any valuation guidance for the earlier periods, the obligation has not been valued for the earlier years.

The Bank does not have any unfunded defined benefit plan. The Bank contributed ₹ 129.54 crore (previous year: ₹ 116.54 crore) to the provident fund and ₹ 37.33 crore (previous year: ₹ 32.71 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, 2013 is given below:

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Privileged leave	213.83	173.23
Sick leave	40.83	34.98
Total actuarial liability	254.66	208.21
Assumptions (HDFC Bank Limited)		
Discount rate	8.1% per annum	8.8% per annum
Salary escalation rate	8.5% per annum	9.0% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	8.0% per annum	8.5% per annum
Salary escalation rate	6.0% per annum	6.0% per annum
Assumptions (HDB Financial Services Limited)		
Discount rate	8.0% per annum	8.3% per annum
Salary escalation rate:		
General staff	5.0% per annum	5.0% per annum
Others	5.0% per annum	5.0% per annum

16. Segment Reporting

Segment reporting for the year ended March 31, 2013 is given below:

Business segments:

(₹) in crore

S. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	9,711.02	34,919.65	17,633.82	4,979.06	67,243.55
2	Unallocated revenue					112.77
3	Less: Inter-segment revenue					24,362.33
4	Income from operations (1) + (2) - (3)					42,993.99
5	Segment results	225.00	4,424.15	4,751.96	1,817.51	11,218.62
6	Unallocated expenses					1,214.61
7	Income tax expense (including deferred tax)					3,103.73
8	Net profit (5) - (6) - (7) (net profit before minority interest and earnings from associates)					6,900.28
9	Segment assets	139,459.18	138,001.73	107,109.05	18,689.65	403,259.61
10	Unallocated assets					4,463.38
11	Total assets (9) + (10)					407,722.99
12	Segment liabilities	24,652.79	234,968.21	82,810.62	7,757.43	350,189.05
13	Unallocated liabilities					20,669.88
14	Total liabilities (12) + (13)					370,858.93
15	Capital employed (9) - (12)	114,806.39	(96,966.48)	24,298.43	10,932.22	53,070.56
16	Unallocated (10) - (13)					(16,206.50)
17	Total (15) + (16)					36,864.06
18	Capital expenditure	100.80	629.46	165.92	168.36	1,064.54
19	Depreciation	52.20	426.34	94.44	90.28	663.26

Geographic segments:

(₹) in crore

Particulars	Domestic	International
Revenue	42,605.93	388.06
Assets	393,455.70	14,267.29

Segment reporting for the year ended March 31, 2012 is given below:

Business segments:

(₹) in crore

S. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	7,823.56	27,532.72	15,808.41	3,549.47	54,714.16

S. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
2	Unallocated revenue					95.89
3	Less: Inter-segment revenue					20,624.33
4	Income from operations (1) + (2) - (3)					34,185.72
5	Segment results	381.99	3,486.82	3,271.85	1,432.47	8,573.13
6	Unallocated expenses					905.63
7	Income tax expense (including deferred tax)					2,394.10
8	Net profit (5) - (6) - (7) (net profit before minority interest and earnings from associates)					5,273.40
9	Segment assets	121,349.00	112,840.91	92,710.51	10,637.70	337,538.12
10	Unallocated assets					3,516.89
11	Total assets (9) + (10)					341,055.01
12	Segment liabilities	26,142.72	189,990.26	76,404.04	3,403.36	295,940.38
13	Unallocated liabilities					14,720.53
14	Total liabilities (12) + (13)					310,660.91
15	Capital employed (9) - (12)	95,206.28	(77,149.35)	16,306.47	7,234.35	41,597.75
16	Unallocated (10) - (13)					(11203.64)
17	Total (15) + (16)					30,394.11
18	Capital expenditure	43.29	539.74	78.93	72.68	734.64
19	Depreciation	36.54	365.44	75.09	77.09	554.16

Geographic segments:

(₹) in crore

Particulars	Domestic	International
Revenue	33,958.46	227.26
Assets	332,361.63	8,693.39

17. Related party disclosures

As per AS-18, Related Party Disclosure, the Bank's related parties are disclosed below:

Promoter

Housing Development Finance Corporation Limited

Enterprises under common control of the promoter

- HDFC Asset Management Company Limited
- HDFC Developers Limited
- HDFC Investments Limited
- GRUH Finance Limited
- HDFC Standard Life Insurance Company Limited
- HDFC Holdings Limited
- HDFC Trustee Company Limited
- HDFC Realty Limited

- HDFC ERGO General Insurance Company Limited
- HDFC Venture Capital Limited
- HDFC Ventures Trustee Company Limited
- HDFC Sales Private Limited
- Griha Investments
- Credila Financial Services Private Limited
- HDFC Education and Development Services Private Limited
- HDFC Asset Management Company (Singapore) Pte. Limited
- HDFC Property Ventures Limited
- Griha Pte Limited
- HDFC Life Pension Fund Management Company Limited
- H T Parekh Foundation

Associates
Atlas Documentary Facilitators Company Private Limited
HBL Global Private Limited
Centillion Solutions and Services Private Limited (ceased to be an associate from December 31, 2011)
International Asset Reconstruction Company Private Limited

Key management personnel
Aditya Puri, Managing Director
Paresh Sukthankar, Director
Harish Engineer, Director

Related parties to key management personnel
Salisbury Investments Private Limited, Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad, Sudha Engineer, Shreematiben Engineer, Nikhil Engineer, Uma Engineer, Mahesh Engineer.

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, 2013 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 ₹ 9.79 crore (previous year: ₹ 7.55 crore); Atlas Documentary Facilitators Company Private Limited ₹ 4.08 crore (previous year: ₹ 4.04 crore).

- Rendering of services: Housing Development Finance Corporation Limited ₹ 139.59 crore (previous year: ₹ 106.97 crore); HDFC Standard Life Insurance Company Limited ₹ 472.33 crore (previous year: ₹ 456.37 crore); HDFC ERGO General Insurance Company Limited ₹ 126.31 crore (previous year: ₹ 110.44 crore)

- Receiving of services: HBL Global Private Limited ₹ 464.56 crore (previous year: ₹ 360.40 crore); Atlas Documentary Facilitators Company Private Limited ₹ 393.48 crore (previous year: ₹ 324.43 crore).

- Dividend paid: Housing Development Finance Corporation Limited ₹ 169.08 crore (previous year: ₹ 129.76 crore); HDFC Investments Limited ₹ 64.50 crore (previous year: ₹ 49.50 crore)

The Group's related party balances and transactions for the year ended March 31, 2013 are summarized as follows:

(₹) in crore

Items / Related party	Promoter	Enterprises under common control of the promoter	Associates	Key management personnel	Total
Deposits taken	1,985.17	566.11	44.13	5.67	2,601.08

Items / Related party	Promoter	Enterprises under common control of the promoter	Associates	Key management personnel	Total
	(3,193.25)	(729.10)	(48.97)	(6.61)	(3,977.93)
Deposits placed	0.15 (0.15)	-	38.45 (38.45)	2.22 (2.22)	40.82 (40.82)
Advances given	-	-	7.98 (17.93)	0.73 (0.73)	8.71 (18.66)
Fixed assets purchased from	-	-	-	-	-
Fixed assets sold to	-	-	-	-	-
Interest paid to	9.79	12.77	4.12	0.41	27.09
Interest received from	-	-	1.87	0.04	1.91
Income from services rendered to	139.59	668.68	20.95	-	829.22
Expenses for receiving services from	47.94	111.07	858.04	0.60	1,017.65
Equity / other investments	-	-	46.86 (52.50)	-	46.86 (52.50)
Dividend paid to	169.08	68.83	-	1.15	239.06
Dividend received from	-	-	0.01	-	0.01
Receivable from	13.97 (13.97)	101.74 (101.74)	2.42 (2.42)	-	118.13 (118.13)
Payable to	- (8.12)	- -	66.87 (107.23)	- -	66.87 (115.35)
Guarantees given	0.10 (0.10)	0.13 (0.13)	- -	- -	0.23 (0.23)
Remuneration paid	-	-	-	11.95	11.95
Loans purchased from	5,164.40	-	-	-	5,164.40

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 certain parties which includes the promoter and related group companies. 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, 2013 is ₹ 250.00 crore (previous year: ₹ 250.00 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is ₹ 7.42 crore (previous year: ₹ 15.23 crore).

During the year ended March 31, 2013, the Bank purchased securities from HDFC Standard Life Insurance Company Limited ₹ 294.24 crore (previous year: ₹ 23.97 crore). During the year ended March 31, 2013, the Bank sold securities to HDFC Standard Life Insurance Company Limited with book values aggregating ₹ 650.02 crore (previous year: ₹ 227.92 crore), to HDFC ERGO General Insurance Company Limited ₹ 217.16 crore (previous year: ₹ 230.59 crore) and to Key Management Personnel ₹ 5.26 crore (previous year: Nil).

As of March 31, 2013, investment of HDFC Standard Life Insurance Company Limited in the Bank's tier II bonds amounted to ₹ 61 crore (previous year: ₹ 11 crore) and that of HDFC ERGO General Insurance Company Limited amounted to ₹ 5 crore (previous year: Nil).

During the year ended March 31, 2013, 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, 2013, the security deposit outstanding was ₹ 4.28 crore (previous year: ₹ 4.28 crore).

The Group's related party balances and transactions for the year ended March 31, 2012 are summarised as follows:

(₹) in crore

Items / Related party	Promoter	Enterprises under common control of the promoter	Associates	Key management personnel	Total
Deposits taken	2,110.77 (2,110.77)	360.10 (360.10)	45.71 (45.71)	10.83 (10.83)	2,527.41 (2,527.41)
Deposits placed	0.15 (0.15)	- -	30.95 (77.60)	2.22 (2.22)	33.32 (79.97)
Advances given	- -	- -	27.90 (34.36)	0.73 (0.73)	28.63 (35.09)
Fixed assets purchased from	-	-	0.20	-	0.20
Fixed assets sold to	-	-	0.13	-	0.13
Interest paid to	7.55	2.36	4.15	0.43	14.49
Interest received from	-	-	1.39	0.03	1.42
Income from services rendered to	106.97	619.73	20.93	-	747.63
Expenses for receiving services from	24.79	36.62	685.50	0.60	747.51
Equity / other investments	- -	- -	66.13 (66.58)	- -	66.13 (66.58)
Dividend paid to	129.76	49.50	-	0.90	180.16
Dividend received from	-	-	0.01	-	0.01
Receivable from	13.65 (13.65)	77.32 (77.32)	- (7.15)	- -	90.97 (98.12)
Payable to	8.35 (8.35)	- -	50.89 (63.32)	- -	59.24 (71.67)
Remuneration paid	-	-	-	9.98	9.98
Loans purchased from	4,977.62	-	-	-	4,977.62

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 (ATMs), which are renewable at the option of the Bank. The details of maturity profile of future operating lease payments are given below:

(₹) in crore

Particulars	March 31, 2013	March 31, 2012
Not later than one year	624.40	527.21
Later than one year and not later than five years	2,131.55	1,785.11
Later than five years	1,033.55	750.84

Particulars	March 31, 2013	March 31, 2012
Total	**3,789.50**	**3,063.16**
The total of minimum lease payments recognised in the Statement of Profit and Loss for the year	712.52	549.51
Total of future minimum sub-lease payments expected to be received under non-cancellable subleases	64.30	66.82
Sub-lease payments recognised in the Statement of Profit and Loss for the year	24.22	24.17
Contingent (usage based) lease payments recognized in the Statement of Profit and Loss for the year	105.55	-

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

No penalties were levied by the RBI during the year ended March 31, 2013.

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.

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 there are twelve (previous year – nine) suppliers registered under the said Act and there are no amounts unpaid, to the said suppliers, as at the year end and no interest is paid or considered payable.

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, 2013 was Nil. During the previous year the amount unpaid was Nil.

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.

As per our report of even date.	For and on behalf of the Board		
	C. M. Vasudev	**Harish Engineer**	**A. N. Roy**
For **B S R & Co.**	Chairman	Executive Director	**Bobby Parikh**
Chartered Accountants			**Keki Mistry**
Firm's Registration No.: 101248W	**Aditya Puri**	**Paresh Sukthankar**	**Partho Datta**
	Managing Director	Executive	**Renu Karnad**

Director

Vijay Merchant
Directors

Sanjay Dongre
Executive Vice President (Legal) &
Company Secretary

N Sampath Ganesh
Partner
Membership No.: 042554
Mumbai , April 23, 2013

Auditor's report on the Consolidated Financial Statements of HDFC Bank Limited, its Subsidiaries and Associates

To the Board of Directors of HDFC Bank Limited

We have audited the accompanying consolidated Balance Sheet of HDFC Bank Limited ('the Bank'), its subsidiaries and associates (collectively known as 'the Group') as at 31 March 2012 and also the consolidated statement of Profit and Loss and the consolidated Cash Flow Statement of the Group for the year then ended, both annexed thereto. These financial statements are the responsibility of the Bank's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements and other financial information of the subsidiaries and an entity controlled by the Bank whose financial statements reflect total assets of ₹ 458,339.8 lacs as at 31 March 2012, total revenues of ₹ 65,306.5 lacs and cash flows of ₹16,340.1 lacs for the year then ended. These financial statements have been audited by other auditors, whose reports have been furnished to us and were relied upon by us for our opinion on the consolidated financial statements of the Group.

The financial statements also include ₹ 348.1 lacs being the Group's proportionate share in the profit of associates which has been recognised on the basis of the audited financial statements available with the Bank. These financial statements have been audited by other auditors, whose reports have been furnished to us and were relied upon by us for our opinion on the consolidated financial statements of the Group.

The financial statements also include ₹ 16.2 lacs being the Group's proportionate share in the profit of an associate which has been recognised on the basis of the unaudited financial statements available with the Bank.

We report that the consolidated financial statements have been prepared by the Bank's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements and Accounting Standard 23, Accounting for Investments in Associates in Consolidated Financial Statements prescribed by the Companies (Accounting Standards) Rules, 2006.

The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211(1), (2) and (3C) of the Companies Act, 1956.

Based on our audit and to the best of our information and according to the explanations given to us and on the consideration of reports of other auditors on separate financial statements and on the consideration of the unaudited financial statements and on other relevant financial information of the components, we are of the opinion that the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India and guidelines issued by Reserve Bank of India in relation to preparation of consolidated financial statements:

(a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2012;

(b) in the case of the consolidated statement of Profit and Loss, of the profit of the Group for the year ended on that date; and

(c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

N Sampath Ganesh
Partner
Membership No: 042554

Mumbai
18 April, 2012

Consolidated Balance Sheet as at March 31, 2012

₹ in '000

	Schedule	As at 31-Mar-12	As at 31-Mar-11
CAPITAL AND LIABILITIES			
Capital	1	4,693,377	4,652,257
Reserves and Surplus	2	297,411,054	251,179,116
Minority Interest	2A	1,836,586	1,216,620
Employees' Stock Options (Grants) Outstanding		3,020	29,135
Deposits	3	2,465,395,768	2,082,872,136
Borrowings	4	263,341,540	146,504,393
Other Liabilities and Provisions	5	377,868,771	293,175,692
Total		**3,410,550,116**	**2,779,629,349**
ASSETS			
Cash and Balances with Reserve Bank of India	6	149,916,306	251,008,860
Balances with Banks and Money at Call and Short notice	7	61,835,314	47,373,915
Investments	8	967,951,088	702,766,667
Advances	9	1,988,375,303	1,608,314,156
Fixed Assets	10	23,779,126	22,009,412
Other Assets	11	218,692,979	148,156,339
Total		**3,410,550,116**	**2,779,629,349**
Contingent Liabilities	12	8,653,121,484	5,751,594,661
Bills for Collection		186,924,956	134,284,924
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 **B S R & Co.**

Chartered Accountants

Firm's Registration No.: 101248W

N Sampath Ganesh
Partner

Membership No.: 042554
Mumbai, April 18, 2012

For and on behalf of the Board

C. M. Vasudev
Chairman

Aditya Puri
Managing Director

Sanjay Dongre
Executive Vice President (Legal) &
Company Secretary

Harish Engineer
Executive Director

Parekh Sukthankar
Executive Director

A. N. Roy

Ashim Samanta

Bobby Parikh
Dr. Pandit Palande

Keki Mistry

Partho Datta
Renu Karnad
Directors

Consolidated Statement of Profit and Loss for the year ended March 31, 2012

₹ in '000

	Schedule	Year ended 31-Mar-12	Year ended 31-Mar-11
I. INCOME			
Interest earned	13	276,055,632	200,433,346
Other income	14	54,523,883	45,850,454
Total		**330,579,515**	**246,283,800**
II. EXPENDITURE			
Interest expended	15	151,061,242	94,251,533
Operating expenses	16	88,071,176	73,179,451
Provisions and contingencies		38,713,098	38,675,885
Total		**277,845,516**	**206,106,869**
III. PROFIT			
Net Profit for the year		52,733,999	40,176,931
Less: Minority Interest		300,204	322,397
Add: Share in profits of Associates		36,423	70,353
Consolidated profit for the year attributable to the Group		52,470,218	39,924,887
Balance of profit brought forward		63,269,453	46,252,340
Total		**115,739,671**	**86,177,227**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		13,020,226	9,869,002
Proposed dividend		10,095,236	7,679,955
Tax (including cess) on dividend		1,638,937	1,246,777
Dividend (including tax/cess thereon) pertaining to previous year paid during the year		21,240	26,484
Transfer to General Reserve		5,167,091	3,926,401
Transfer to Capital Reserve		-	3,568
Transfer to/(from) Investment Reserve Account		(416,937)	155,587
Balance carried over to Balance Sheet		86,213,878	63,269,453
Total		**115,739,671**	**86,177,227**
V. EARNINGS PER EQUITY SHARE (Face value ₹ 2/- per share)		₹	₹
Basic		22.45	17.29
Diluted		22.24	17.09
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 **B S R & Co.**	**C. M. Vasudev**	**Harish Engineer**	**A. N. Roy**
Chartered Accountants	Chairman	Executive Director	**Ashim Samanta**
Firm's Registration No.: 101248W			**Bobby Parikh**
	Aditya Puri	**Parekh Sukthankar**	**Dr. Pandit Palande**
	Managing Director	Executive Director	**Keki Mistry**
			Partho Datta
N Sampath Ganesh	**Sanjay Dongre**		**Renu Karnad**
Partner	Executive Vice President (Legal) & Company Secretary		*Directors*
Membership No.: 042554			
Mumbai, April 18, 2012			

Consolidated Cash Flow Statement for the year ended March 31, 2012

₹ in '000

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Cash flows from operating activities		
Net profit before income tax	**76,411,249**	**59,320,108**
Adjustment for:		
Depreciation on fixed assets	5,541,628	5,091,107
(Profit) / Loss on revaluation of investments	897,174	(310,616)
Amortisation of premia on Held to Maturity investments	783,012	2,268,463
Provision for Non Performing Assets	6,846,673	7,811,699
Floating Provisions	7,000,000	6,700,000
Provision for standard assets	1,573,393	31,600
Provision for wealth tax	5,617	6,127
Contingency provision	(1,587,646)	4,731,238
(Profit)/Loss on sale of fixed assets	(12,420)	8,039
Provision for Dimunition in value of Investment	934,030	-
	98,392,710	**85,657,765**
Adjustments for :		
(Increase) / Decrease in Investments	(267,769,643)	(119,641,751)
(Increase) / Decrease in Advances	(386,907,816)	(354,498,509)
Increase / (Decrease) in Borrowings (excluding Subordinate debt, Perpetual debt and Upper Tier II instruments)	80,339,147	4,386,917
Increase / (Decrease) in Deposits	382,523,632	409,894,309
(Increase) / Decrease in Other assets	(66,454,847)	(83,485,414)
Increase / (Decrease) in Other liabilities and provisions	74,606,012	71,276,394
	(85,270,805)	**13,589,711**
Direct taxes paid (net of refunds)	(28,202,444)	(23,191,840)
Net cash flow from/(used in) operating activities	**(113,473,249)**	**(9,602,129)**
Cash flows from / (used in) investing activities		
Purchase of fixed assets	(6,886,199)	(5,596,588)
Proceeds from sale of fixed assets	45,052	91,794
Investment in subsidiaries and/or joint ventures	(28,994)	-
Net cash used in investing activities	**(6,870,141)**	**(5,504,794)**
Cash flows from financing activities		
Increase in Minority Interest	619,965	457,751
Money received on exercise of stock options by employees	5,306,602	8,281,642
Proceeds from issue of Upper and Lower Tier II capital instruments	36,500,000	11,050,000
Redemption of subordinated debt	(2,000)	(620,000)
Dividend paid during the year	(7,716,703)	(5,519,403)
Tax on Dividend	(1,247,276)	(912,305)
Net cash generated from financing activities	**33,460,588**	**12,737,685**
Effect of Exchange Fluctuation on Translation reserve	**251,651**	**(29,922)**
Net Increase/(Decrease) in cash and cash equivalents	**(86,631,151)**	**(2,399,160)**
Cash and cash equivalents as at April 1st	**298,382,775**	**300,781,935**
Cash and cash equivalents as at March 31st	**211,751,624**	**298,382,775**

As per our report of even date. For **B S R & Co.**	For and on behalf of the Board **C. M. Vasudev**	**Harish Engineer**	**A. N. Roy**
Chartered Accountants	Chairman	Executive Director	**Ashim Samanta**
Firm's Registration No.: 101248W			**Bobby Parikh**
	Aditya Puri	**Parekh Sukthankar**	**Dr. Pandit Palande**
	Managing Director	Executive Director	**Keki Mistry**
			Partho Datta
N Sampath Ganesh *Partner*	**Sanjay Dongre** Executive Vice President (Legal) & Company Secretary		**Renu Karnad** *Directors*
Membership No.: 042554 **Mumbai, April 18, 2012**			

Schedules to the Consolidated Financial Statements

SCHEDULE 1 – CAPITAL

₹ in '000

	As at 31-Mar-12	As at 31-Mar-11
Authorised Capital	5,500,000	5,500,000
275,00,00,000 (31 March, 2011 : 55,00,00,000 of ₹ 10/- each) Equity Shares of ₹ 2/- each		
Issued, Subscribed and Paid-up Capital	4,693,377	4,652,257
234,66,88,270 (31 March, 2011 : 46,52,25,684 of ₹ 10/- each) Equity Shares of ₹ 2/- each		
Total	**4,693,377**	**4,652,257**

SCHEDULE 2 - RESERVES AND SURPLUS

₹ in '000

	As at 31-Mar-12	As at 31-Mar-11
I. Statutory Reserve		
Opening Balance	40,228,045	30,359,043
Additions during the year	13,020,226	9,869,002
Total	**53,248,271**	**40,228,045**
II. General Reserve		
Opening Balance	14,235,625	10,309,224
Additions during the year	5,167,091	3,926,401
Total	**19,402,716**	**14,235,625**
III. Balance in Profit and Loss Account	**86,213,878**	**63,269,453**
IV. Share Premium Account		
Opening Balance	119,484,158	110,789,552
Additions during the year	5,265,482	8,694,606
Total	**124,749,640**	**119,484,158**
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	2,954,677	2,951,109
Additions during the year	-	3,568
Total	**2,954,677**	**2,954,677**
VII. Investment Reserve Account		
Opening Balance	416,937	261,350
Additions during the year	178	155,620
Deductions during the year	(417,115)	(33)
Total	**-**	**416,937**
VIII. Foreign Currency Translation Account		
Opening Balance	(45,343)	(15,421)
Additions during the year	251,651	(29,922)
Total	**206,308**	**(45,343)**

Total	**297,411,054**	**251,179,116**

SCHEDULE 2 A - MINORITY INTEREST

₹ in '000

	As at 31-Mar-12	As at 31-Mar-11
Minority Interest at the date on which parent subsidiary relationship came into existence	276,029	276,029
Subsequent increase	1,560,557	940,591
Total	**1,836,586**	**1,216,620**

Includes reserves of Employee Welfare Trust of ₹ 51,50 lacs (previous year ₹ Nil)

SCHEDULE 3 – DEPOSITS

₹ in '000

	As at 31-Mar-12	As at 31-Mar-11
A. I. Demand Deposits		
(i) From Banks	9,122,028	10,184,754
(ii) From Others	443,916,968	452,724,016
Total	**453,038,996**	**462,908,770**
II. Savings Bank Deposits	**739,974,624**	**634,477,904**
III. Term Deposits		
(i) From Banks	13,839,859	14,267,601
(ii) From Others	1,258,542,289	971,217,861
Total	**1,272,382,148**	**985,485,462**
Total	**2,465,395,768**	**2,082,872,136**
B. I. Deposits of Branches in India	2,456,037,952	2,080,229,036
II. Deposits of Branches Outside India	9,357,816	2,643,100
Total	**2,465,395,768**	**2,082,872,136**

SCHEDULE 4 – BORROWINGS

₹ in '000

	As at 31-Mar-12	As at 31-Mar-11
I. Borrowings in India		
(i) Reserve Bank of India	400,000	1,200,000
(ii) Other Banks	28,689,710	9,614,347
(iii) Other Institutions and agencies	33,062,425	9,270,356
(iv) Upper and Lower Tier II capital and Innovative Perpetual Debt	105,969,000	69,471,000
Total	**168,121,135**	**89,555,703**
II. Borrowings outside India*	95,220,405	56,948,690
Total	**263,341,540**	**146,504,393**

**Includes Upper Tier II debt of ₹ 508,75 lacs (previous year: ₹ 445,95 lacs)*

Secured borrowings included in I & II above: ₹ 2,302,97 lacs (previous year: ₹ 256,38 lacs)

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

₹ in '000

	As at 31-Mar-12	As at 31-Mar-11
I. Bills Payable	54,657,302	56,361,491
II. Interest Accrued	52,150,518	27,934,178
III. Others *(including provisions)*	250,118,897	192,318,804
IV. Contingent Provisions against standard assets	9,207,881	7,634,487
V. Proposed Dividend *(including tax on dividend)*	11,734,173	8,926,732

	As at 31-Mar-12	As at 31-Mar-11
Total	**377,868,771**	**293,175,692**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

₹ in '000

	As at 31-Mar-12	As at 31-Mar-11
I. Cash in hand *(including foreign currency notes)*	43,075,004	29,980,245
II. Balances with Reserve Bank of India in :		
(a) current accounts	104,841,302	220,028,615
(b) other accounts	2,000,000	1,000,000
Total	**106,841,302**	**221,028,615**
Total	**149,916,306**	**251,008,860**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

₹ in '000

	As at 31-Mar-12	As at 31-Mar-11
I. **In India**		
(i) Balances with Banks :		
(a) In current accounts	1,635,807	2,323,701
(b) In other deposit accounts	20,891,080	11,415,609
Total	**22,526,887**	**13,739,310**
(ii) Money at call and short notice :		
(a) With banks	2,700,000	10,700,000
(b) With other institutions	2,157,684	1,250,000
Total	**4,857,684**	**11,950,000**
Total	**27,384,571**	**25,689,310**
II. **Outside India**		
(i) In current accounts	1,534,618	4,637,720
(ii) In other deposit accounts	4,070,000	2,452,725
(iii) Money at call and short notice	28,846,125	14,594,160
Total	**34,450,743**	**21,684,605**
Total	**61,835,314**	**47,373,915**

SCHEDULE 8 - INVESTMENTS

₹ in '000

	As at 31-Mar-12	As at 31-Mar-11
A. Investments in India in		
(i) Government securities	762,178,489	536,512,756
(ii) Other approved securities	4,919	4,906
(iii) Shares*	1,018,356	1,100,044
(iv) Debentures and Bonds	9,636,860	5,356,072
(v) Joint Venture*	479,483	450,489
(vi) Others (Units, CD/CP, PTC, Security Receipts and NABARD Deposits)	194,626,948	158,458,091
Total	**967,945,055**	**701,882,358**
**Includes goodwill net of capital reserves, on account of investment in associates, amounting to ₹ 14,88 lacs (previous year: ₹ 13,77 lacs).*		
B. Investments outside India in		
Other Investments		
(a) Shares	6,033	6,033
(b) Debentures and Bonds	-	878,276

	As at 31-Mar-12	As at 31-Mar-11
Total	**6,033**	**884,309**
Total	**967,951,088**	**702,766,667**
C. Investments		
(i) Gross Value of Investments		
(a) In India	970,214,373	702,307,007
(b) Outside India	6,033	884,309
Total	**970,220,406**	**703,191,316**
(ii) Provision for Depreciation		
(a) In India	2,269,318	424,649
(b) Outside India	-	-
Total	**2,269,318**	**424,649**
(iii) Net Value of Investments		
(a) In India	967,945,055	701,882,358
(b) Outside India	6,033	884,309
Total	**967,951,088**	**702,766,667**

SCHEDULE 9 - ADVANCES

₹ in '000

	As at 31-Mar-12	As at 31-Mar-11
A (i) Bills purchased and discounted	122,124,431	97,111,818
. (ii) Cash Credits, Overdrafts and Loans repayable on demand	686,271,861	331,779,112
(iii) Term loans	1,179,979,011	1,179,423,226
Total	**1,988,375,303**	**1,608,314,156**
Loans with tenor of less than one year are classified under A (ii) above. Previous year's figures have accordingly been regrouped		
B (i) Secured by tangible assets*	1,449,166,862	1,180,143,751
(ii) Covered by Bank/Government Guarantees	55,552,871	33,137,271
(iii) Unsecured	483,655,570	395,033,134
Total	**1,988,375,303**	**1,608,314,156**
** Including advances against Book Debts*		
C. I Advances in India		
(i) Priority Sector	643,340,467	553,610,381
(ii) Public Sector	70,538,519	54,001,024
(iii) Banks	3,714,239	286,035
(iv) Others	1,211,566,378	953,881,294
Total	**1,929,159,603**	**1,561,778,734**
II. Advances Outside India		
(i) Due from Banks	18,418,646	13,809,946
(ii) Due from Others		
a) Bills Purchased and discounted	35,333	1,074,676
b) Syndicated Loans	13,166,585	10,579,336
c) Others	27,595,136	21,071,464
Total	**59,215,700**	**46,535,422**
Total	**1,988,375,303**	**1,608,314,156**
Advances are net of provisions		

SCHEDULE 10 - FIXED ASSETS

₹ in '000

	As at 31-Mar-12	As at 31-Mar-11
A. Premises (including Land)		
Gross Block		
At cost on 31 March of the preceding year	10,272,964	9,797,080
Additions during the year	262,354	667,766
Deductions during the year	(15,646)	(191,882)
Total	**10,519,672**	**10,272,964**
Depreciation		
As at 31 March of the preceding year	2,106,522	1,777,823
Charge for the year	394,596	397,220
On deductions during the year	(12,242)	(68,521)
Total	**2,488,876**	**2,106,522**
Net Block	**8,030,796**	**8,166,442**
B. Other Fixed Assets (including furniture and fixtures)		
Gross Block		
At cost on 31 March of the preceding year	38,468,673	33,432,510
Additions during the year	7,084,005	5,476,805
Deductions during the year	(370,235)	(440,642)
Total	**45,182,443**	**38,468,673**
Depreciation		
As at 31 March of the preceding year	24,625,703	20,039,330
Charge for the year	5,148,998	4,954,325
On deductions during the year	(340,588)	(367,952)
Total	**29,434,113**	**24,625,703**
Net Block	**15,748,330**	**13,842,970**
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	4,026,245
Charge for the year	-	78,222
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	**23,779,126**	**22,009,412**

SCHEDULE 11 - OTHER ASSETS

₹ in '000

	As at 31-Mar-12	As at 31-Mar-11

	As at 31-Mar-12	As at 31-Mar-11
I. Interest accrued	32,014,775	22,932,409
II. Advance tax/Tax deducted at source (net of provisions)	12,131,614	10,128,582
III. Stationery and stamps	165,891	221,712
IV. Non banking assets acquired in satisfaction of claims	311	5,934
VI. Security deposit for commercial and residential property	3,771,693	3,424,674
VII. Others*	170,608,695	111,443,028
Total	**218,692,979**	**148,156,339**

**Includes deferred tax asset (net) of ₹1,465,34 lacs (previous year: ₹ 1,189,30 lacs) and Goodwill net of Capital Reserve on account of acquistion is ₹ 3,817 lacs (previous year: ₹ 4,611 lacs)*

SCHEDULE 12 - CONTINGENT LIABILITIES

₹ in '000

	As at 31-Mar-12	As at 31-Mar-11
I. Claims against the bank not acknowledged as debts -Taxation	13,569,384	12,192,884
II. Claims against the bank not acknowledged as debts -Others	2,884,893	1,320,294
III. Liability on account of outstanding forward exchange contracts	5,648,764,494	3,014,172,486
IV. Liability on account of outstanding derivative contracts	2,626,390,521	2,439,713,427
V. Guarantees given on behalf of constituents		
- In India	133,170,215	112,672,890
- Outside India	436,143	354,073
VI. Acceptances, endorsements and other obligations	209,182,124	154,406,109
VII. Other items for which the Bank is contingently liable	18,723,709	16,762,498
Total	**8,653,121,484**	**5,751,594,661**

SCHEDULE 13 - INTEREST EARNED

₹ in '000

	Year Ended 31-Mar-12	Year Ended 31-Mar-11
I. Interest/discount on advances/bills	208,372,328	151,880,324
II. Income from investments	65,061,806	46,756,481
III. Interest on balance with RBI and other inter-bank funds	1,540,385	1,582,683
IV. Others	1,081,113	213,858
Total	**276,055,632**	**200,433,346**

SCHEDULE 14 - OTHER INCOME

₹ in '000

	Year Ended 31-Mar-12	Year Ended 31-Mar-11
I. Commission, exchange and brokerage	44,844,260	38,491,642
II. Profit / (Loss) on sale of investments (net)	(1,061,376)	(836,318)
III. Profit/(Loss) on revaluation of investments (net)	(897,174)	310,616
IV. Profit/ (Loss) on sale of building and other assets (net)	12,420	(8,039)
V. Profit on exchange transactions (net)	12,653,760	9,208,434
VI. Income earned by way of dividends etc. from subsidiaries /companies and/or joint ventures abroad/in India	11,655	4,468
VII. Miscellaneous income	(1,039,662)	(1,320,349)
Total	**54,523,883**	**45,850,454**

SCHEDULE 15 - INTEREST EXPENDED

₹ in '000

	Year Ended 31-Mar-12	Year Ended 31-Mar-11
I. Interest on Deposits	126,846,290	80,261,798
II. Interest on RBI/Inter-bank borrowings	22,087,761	13,786,419
III. Other interest	2,127,191	203,316
Total	**151,061,242**	**94,251,533**

SCHEDULE 16 - OPERATING EXPENSES

₹ in '000

	Year Ended 31-Mar-12	Year Ended 31-Mar-11
I. Payments to and provisions for employees	35,730,909	29,771,439
II. Rent, taxes and lighting	7,342,370	6,438,193
III. Printing and stationery	2,349,491	2,244,858
IV. Advertisement and publicity	1,548,342	1,618,619
V. Depreciation on property	5,541,628	5,091,107
VI. Directors' fees, allowances and expenses	5,103	5,256
VII Auditors' fees and expenses	11,725	12,034
VIII. Law charges	317,465	315,037
IX. Postage, telegram, telephone etc.	3,660,226	3,126,813
X. Repairs and maintenance	6,257,576	5,154,504
XI. Insurance	2,421,945	1,989,839
XII. Other Expenditure*	22,884,396	17,411,753
Total	**88,071,176**	**73,179,451**

** Includes marketing expenses, professional fees, travel and hotel charges, entertainment, registrar and transfer agency fees 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, 2012.

A. BACKGROUND

HDFC Bank Limited ('HDFC Bank' or 'the Bank'), incorporated in Mumbai, India is a publicly held banking company engaged in providing a wide range of banking and financial services including commercial banking and treasury operations. HDFC Bank is a banking company governed by the Banking Regulation Act, 1949. The Bank has overseas branch operations in Bahrain and Hong Kong.

B. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank, its subsidiaries and associates, which together constitute the 'Group'.

The Bank consolidates its subsidiaries in accordance with Accounting Standard ('AS') 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India ('ICAI') 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, issued by the ICAI.

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, AS issued by the ICAI and notified by the Companies Accounting Standard Rules, 2006 to the extent applicable and current practices prevailing within the banking industry in India. Suitable adjustments are made to align with the format prescribed under the Banking Regulation Act, 1949.

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 expense for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision in the accounting estimates is recognized 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	63.0%
HDB Financial Services Limited	Subsidiary	India	97.4%
Atlas Documentary Facilitators Company Private Limited	Associate	India	29.0%
International Asset Reconstruction Company Private Limited	Associate	India	29.4%
Centillion Solutions and Services Private Limited*	Associate	India	Nil
HBL Global Private Limited	Associate	India	Nil
HDB Employee Welfare Trust	**	India	

* CentillionSolutions and Services Private Limited ceased to be an associate in December 2011 on account of sale of Bank's Stake in the company.

** 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 dependants has been entirely consolidated.

*** Denotes HDFC Bank's direct interest.

During the year ended March 31, 2012, the Bank increased its stake-holding in HDFC Securities Limited from 58.7% to 63.0%.During the previous year ended March 31, 2011, the Bank increased its stake-holding in HDB Financial Services Limited from 95.2% to 97.6%.

Further during the year ended March 31, 2012 the stockholding in HDB Financial Services Limited has decreased from 97.50% to 97.42% on account of 90,000 stock options exercised and allotted 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, 2012.

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.

The Bank follows 'Settlement Date' accounting for recording purchase and sale of transactions in securities except in 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 "Held for Trading" category.

Investments which the Bank intends to hold till maturity, are classified as HTM securities. Investments in the equity of subsidiaries/joint ventures are categorized as "Held to Maturity" in accordance with the RBI guidelines.

Investments which are not classified in the above categories, are classified under "Available for Sale" category.

Acquisition Cost:

In determining acquisition cost of an investment:

- Brokerage, Commission, etc. paid at the time of acquisition, are charged to revenue.

- Broken period interest on debt instruments is treated as a revenue item.

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

Disposal of Investments:

Profit / Loss on sale of investments under the aforesaid three categories is taken to the Statement of Profit and Loss. The profit from sale of investment under HTM category, net of taxes and transfers to statutory reserve is appropriated from Statement of Profit and Loss to "Capital Reserve" in accordance with the RBI Guidelines.

Short Sale:

In accordance with RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. 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 not recognized. Profit / Loss on settlement of the short position is taken to the Statement of Profit and Loss.

Valuation:

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

Traded investments are valued based on the trades / quotes on the recognized 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) wherever linked to the YTM rates, is computed 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.

Net depreciation, if any, 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 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 amortized over the remaining maturity period of the security on a constant yield to maturity basis. Such amortization 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 is made thereon based on the RBI guidelines. The depreciation / provision is 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 or 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 as interest expense and revenue on reverse repo transactions is accounted 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 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 which are long term in nature are stated at cost. Provisions are made only in case of diminution, which is other than temporary, in the value of Investment. Current investments are valued at lower of cost and net realizable value.

HDB Employees Welfare Trust

Investments which are long term in nature are stated at cost. Provisions are made only in case of diminution, which is other than temporary, in the value of Investment. Current investments are valued at lower of cost and net realizable value.

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 NPA 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 the 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.

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market value of interest rate and foreign exchange derivative contracts and gold at levels stipulated by RBI from time to time. Provision for the standard assets held by the Bank is not reversed. 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 Schedule 5 - "Other Liabilities".

Provisions made in excess of these regulatory requirements or provisions which are not made with respect to specific non-performing assets are categorised as floating provisions. Creation of further floating provisions is considered by the Bank up to a level approved by the Board of Directors. Floating provisions are not reversed by credit to the Statement of Profit and Loss and can be used only for contingencies under extraordinary circumstances for making specific provisions towards impaired accounts after obtaining Board approval and with prior permission of RBI. Floating provisions have been included under Schedule 5 - "Other Liabilities".

In accordance with the RBI guidelines, the Bank makes provision for the entire amount of overdue and future receivables relating to positive marked to market value of non performing derivative contracts.

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, 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 Schedule 5 - "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. Restructuring of an account is done at a borrower level.

HDB Financial Services Limited

Advances are classified into performing and non-performing advances (NPAs) as per the RBI guidelines. Interest on non-performing advances is transferred to an interest in suspense account and not recognized in the Profit and Loss Account until received.

3 Securitization 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. The Bank also acts as a servicing agent for receivable pools securitised-out.

The RBI has issued guidelines on securitization of standard assets vide its circular dated February 1, 2006. Pursuant to these guidelines, the Bank amortizes any profit / premium arising on account of sale of receivables over the life of the securities sold out while any loss arising on account of sale of receivables is recognized in the Statement of Profit and Loss for the period in which the sale occurs.

The Bank also enters into securitised-out transactions through the direct assignment route, which are similar to asset-backed securitization 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 Bank amortizes any profit / premium arising on account of sale of receivables through the direct assignment route over the tenure of the loans sold out while any loss arising on account of sale of receivables is recognized in the Statement of Profit and Loss for the period in which the sale occurs.

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 debited to Statement of the 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 Bank also invests in PTCs and buys loans through the direct assignment route. These are accounted for at the deal value. The PTCs are classified as investments and loan assignments are classified as advances.

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 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 asset on a straight-line basis. The rates of depreciation for certain key fixed assets, which are not lower than the rates prescribed in Schedule XIV of the Companies Act, 1956 are given below:

Asset	Depreciation Rate per annum
Owned Premises	1.63%
VSATs	10.00%
ATMs	10.00%
Office equipments	16.21%
Computers	33.33%
Motor cars	25.00%
Software and System development expenditure	20.00%
Assets at residences of executives of the Bank	25.00%

Improvements to lease hold premises are charged off over the remaining primary period of lease.

Items (excluding staff assets) costing less than ₹ 5,000 and point of sale terminals are fully depreciated in the year of purchase.

All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956.

For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Bank.

The Bank undertakes assessment of the useful life of an asset at periodic intervals taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use etc. Whenever there is a revision of the estimated useful life of an asset, the unamortized depreciable amount is charged over the revised remaining useful life of the said asset.

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.

Depreciation is provided on a pro-rata basis using the straight-line method over the estimated useful lives of the assets or at the rates prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher, as follows:

Asset	Estimated Useful Life
Computer Hardware – Personal Computers	3 years
Computer Hardware – Others	4years
Office equipments	6years
Furniture and Fixture	15years
Vehicles	4 years

Leasehold improvements are charged off over the primary period of lease.

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

Depreciation methods and 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.

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	5years
Bombay stock exchange card	10years

HDB Financial Services Limited

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all other expenditure in relation to site preparation, installation costs and professional fees incurred on the asset before it is ready for 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 asset on a straight-line basis. The rates of depreciation for certain key fixed assets used in arriving at the charge for the year are as under:

Asset	Depreciation Rate per annum
Office Equipment	16.21%
Computers	33.33%

Motor Cars	20.00%
Immovable Property	1.63%
Software and System Development Expenditure	33.33%

Improvements to lease hold premises are charged off over the primary period of lease or its useful life, whichever is shorter.

Items costing less than ₹ 5,000 are fully depreciated in the year of purchase.

All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956.

For assets purchased and sold during the year, depreciation is being provided on pro rata basis by the Company.

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 the 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') 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 the 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 the disposal of the net investment in the non-integral foreign operations.

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 contracts for longer maturities i.e. greater than one year are revalued using Mumbai Interbank Forward Offer Rate (MIFOR) and USD LIBOR (London Interbank Offered Rate) rates for USD-INR currency pair. For other currency pairs, the forward points (as published by FEDAI) are extrapolated. The resulting profit or loss on valuation is recognised in the Statement of the 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 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 a forward exchange contract is amortized as expense or income over the life of the contract.

Currency futures contracts are marked to market daily using settlement price on a trading day, which is the closing price of the respective futures contracts on that day. While the daily settlement price is computed 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 futures contract or as may be specified by the relevant authority from time to time. All open positions are marked to market based on the settlement price and the resultant marked to market profit / loss is daily settled with the exchange.

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 at the Balance Sheet date.

7 Derivative Contracts

HDFC Bank Limited

The Bank recognizes all derivative contracts (other than those designated as hedges) at the 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 the 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 recognized in Statement of the Profit and Loss in the relevant period. Gains or losses arising from hedge ineffectiveness, if any, are recognised in the Statement of the Profit and Loss.

Contingent Liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by FEDAI at the Balance Sheet date.

8 Revenue and Expense Recognition

HDFC Bank Limited

Interest income is recognised in the Statement of the Profit and Loss on an accrual basis, except in the case of non-performing assets where it is recognized upon realization as per RBI norms.

Interest income is recognized net of commission paid to sales agents (net of non-volume based subvented income from dealers, agents and manufacturers) - (hereafter called "net commission") for originating fixed tenor retail loans. Net commission paid to sales agents for originating other retail loans is expensed in the year in which it is incurred.

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.

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 is 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 as the related services are performed. Commissions are recorded on a trade date basis as the securities transactions occur.

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.

Other income

Interest income is recognised on a time proportion basis taking into account the amount outstanding 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 recognized in the profit or loss account on an accrual basis. Income including interest / discount or any other charges on Non-Performing Assets (NPA) is recognized only when it is realized. Any such income recognized before the asset became non-performing and remaining unrealized is reversed.

Fee based income and other financial charges are recognized 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.

Income from dividend is recognized in Profit and Loss account when the right to receive is established.

Interest on borrowings is recognized in Profit and Loss Account on an accrual basis.

Costs associated with borrowings are grouped under financial charges along with the interest costs.

HDB Employees Welfare Trust

Interest income is recognized in the Income and Expenditure Account on an accrual basis.

Income from Dividend is recognised in Income and Expenditure Account when the right to receive is established.

9 Employee Benefits

HDFC Bank Limited

Employee Stock Option Scheme (ESOS)

The Employee Stock Option Scheme ('the Scheme') provides for the grant of equity shares of the Bank to its employees. The Scheme provides that employees are granted an option to acquire equity shares of the Bank that vests in a graded manner. The options may be exercised within a specified period. The Bank follows the intrinsic value method to account for its stock-based employees compensation plans. Compensation cost is measured by the excess, if any, of the fair market price of the underlying stock over the exercise price on the grant date as determined under the option plan. The fair market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. Compensation cost, if any is amortized over the vesting period.

Gratuity

The Bank provides for gratuity to all employees. The benefit is in the form of lump sum payments to vested 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. Vesting occurs upon completion of five years 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 (Revised 2005), 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 recognized in the Statement of the 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 Managing Director, Executive 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 recognizes 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 of 8.33% of employee's basic salary upto a maximum salary level of ₹ 6500 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 fund set up by the Bank and administered by a board of trustees. In respect of eLKB employees, the Bank contributes to a fund set up by eLKB and administered by the board of trustees. The Bank recognizes 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 (revised 2005), Employee Benefits, states that benefits involving employer established provident funds, which requires interest shortfalls to be provided, are to be considered as defined benefit plans. Actuarial valuation of this Provident Fund interest shortfall has been done as per the guidance note issued during the year in this respect by the Actuarial Society of India and provision towards this liability has been made.

The overseas branches makes contributions to the 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 balance amount is provided based on actuarial valuation 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 have completed less than 15 years of service, the contribution which was made uptill 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 would be required except for interest as applicable to Provident Fund, which has been provided for.

In respect of the 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 date of movement to CTC structure and provision is made based on actuarial valuation 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 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

Short term employee benefits

Short term employees benefits are recognize as an expense at the undiscounted amounts in the profit & loss account for the year in which the related services rendered.

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, on 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 funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The defined gratuity benefit plans 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 recognized in the Profit and Loss Account.

Provident fund

In accordance with law, all employees of the Company are entitled to receive benefits under the provident fund. 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. The contributions are accounted for on an accrual basis and recognized in the Profit and Loss Account, being a defined contribution plan.

Compensated Absences

The Company does not have a policy of encashment of unavailed leaves for its employees. The Company provides for compensated absences in accordance with AS-15 (revised 2005) Employee Benefits. 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. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

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 quoted by supplier is also reflected under commission income.

The Bank also borrows and lends gold, which is treated as borrowing / lending as the case may be with the interest paid / received classified as interest expense / income.

12 Lease Accounting

Group

Lease payments including cost escalation for assets taken on operating lease are recognized in the Statement of the Profit and Loss over the lease term in accordance with the AS-19, Leases, issued by the ICAI.

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 and the rules framed there under) and the net change in the deferred tax asset or liability in 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 at the balance sheet date.

Deferred tax assets are recognized 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 recognized only if there is virtual certainty of realization 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

Group

The Group reports basic and diluted earnings per equity share in accordance with AS-20, Earnings Per Share, issued by the ICAI. 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 during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period except where the results are anti-dilutive.

15 Segment Information - Basis of preparation

Group

The segmental classification to the respective segments is in accordance with AS-17, Segment Reporting, issued by the ICAI. 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 organization 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 with the help of specialist product groups to such customers. 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, net of commission (net of subvention received) paid to sales agents and interest earned from other segments for surplus funds placed with those segments, fees from services rendered, foreign exchange earnings on retail products etc. Expenses of this segment primarily comprise interest expense on deposits, 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 of the Bank 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 derivatives 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 viz. HDFC Securities Limited and HDB Financial Services Limited.

(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 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

Since the Group does not have material earnings emanating outside India, the Group is considered to operate in only the domestic segment.

16 Accounting for provisions, contingent liabilities and contingent assets

Group

In accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets, issued by the ICAI, the Group recognizes 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. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

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

17 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.

SCHEDULE 18 - NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012.

1. Sub-division of Equity Shares

The shareholders of the Bank at the 17th Annual General Meeting held on July 6, 2011 approved sub-division (split) of one equity share of the Bank from nominal value of ₹ 10/- each into five equity shares of nominal value of ₹ 2/- each. All shares and per share information in the financial statements reflect the effect of sub-division (split) retrospectively.

2. Earnings Per Equity Share

Basic and Diluted earnings per equity share have been calculated based on the net profit after taxation of ₹ 5,247,02 lacs (previous year: ₹ 3,992,49 lacs) and the weighted average number of equity shares outstanding during the year was 233,67,04,062 (previous year : 230,90,34,888) (previous year numbers are restated, refer note 1 to schedule 18)

Following is the reconciliation between basic and diluted earnings per equity share:

Particulars	For the year ended (₹)	
	March 31, 2012	March 31, 2011
Nominal value per share	2.00	2.00
Basic earnings per share	22.45	17.29
Effect of potential equity shares (per share)	(0.21)	(0.20)
Diluted earnings per share	22.24	17.09

Basic earnings per equity share have been computed by dividing net profit after taxation by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share have been computed by dividing net profit after taxation by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

There is no impact of dilution on 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 year ended	
	March 31, 2012	March 31, 2011
Weighted average number of equity shares used in computing basic earnings per equity share	233,67,04,062	230,90,34,888
Effect of potential equity shares outstanding	2,16,25,067	2,72,75,584
Weighted average number of equity shares used in computing diluted earnings per equity share	235,83,29,129	233,63,10,472

3. Reserves and Surplus

Draw Down from Reserves

There has been no draw down from Reserves during the year ended March 31, 2012 and year ended March 31, 2011.

General Reserve

The Bank has made an appropriation of ₹ 516,71 lacs (previous year: ₹ 392,64 lacs) out of profits for the year ended March 31, 2012 to General Reserve pursuant to Companies (Transfer of Profits to Reserves) Rules, 1975.

Investment Reserve Account

During the year, the Bank has transferred ₹ 41,69lacs (net) from Investment Reserve Account to Statement of Profit and Loss. In the previous year, the Bank transferred ₹ 15,56 lacs (net) from Statement of Profit and Loss to Investment Reserve Account.

4. Accounting for employee share based payments

HDFC Bank Limited

The shareholders of the Bank approved grant of equity share options under Plan “A” in January 2000, Plan “B” in June 2003, Plan “C” in June 2005, Plan “D” in June 2007 and Plan “E” in June 2010. Under the terms of each of these Plans, the Bank may issue Equity Stock Options (‘ESOPs’) to employees and 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.

Plan A provides for the issuance of options at the recommendation of the Compensation Committee of the Board (the “Compensation Committee”) at an average of the daily closing prices on the Bombay Stock Exchange Limited during the 60 days preceding the date of grant of options.

Plans B, C, D and E provide for the issuance of options at the recommendation of the Compensation Committee at the closing price on the working day immediately preceding the date when options are granted. For Plan B, the price is that quoted on an Indian stock exchange with the highest trading volume during the preceding two weeks, while for Plan C, Plan D and Plan E the price is that quoted on an Indian stock exchange with the highest trading volume as of working day preceding the date of grant.

Such options vest at the discretion of the Compensation Committee. These options are exercisable for a period following vesting at the discretion of the Compensation Committee, subject to a maximum of five years, as set forth at the time of grant. Modifications, if any, made to the terms and conditions of ESOPs as approved by the Compensation Committee are disclosed separately.

The eCBoP had granted stock options to its employees prior to its amalgamation with the Bank. The options were granted under the following Schemes framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time:

1) Key ESOP

2) General ESOP

The outstanding options granted under each of the above Schemes and the grant prices were converted into equivalent HDFC Bank options and prices in the swap ratio of 1:29 i.e. 1 stock option of HDFC Bank for every 29 stock options granted and outstanding of eCBoP as on May 23, 2008, the effective date of the amalgamation, in accordance with Clause 9.9 of the Scheme of Amalgamation of eCBoP with the Bank. The vesting dates for the said stock options granted in various tranches were revised as per Clause 9.9 of the Scheme. All the aforesaid stock options are exercisable within a period of 5 years from the date of vesting. Key Options were granted at an exercise price, which was less than the then fair market price of the shares. General Options were granted at the fair market price. The fair market price was the latest available closing price, prior to the date of meeting of the Board of Directors in which options were granted or shares were issued, on the stock exchange on which the shares of the Bank were listed. If the shares were listed on more than one stock exchange, then the stock exchange where there was highest trading volume on the said date was considered.

Along with approving the sub-division of the Bank's equity shares, the shareholders at the AGM also approved the consequent adjustments to the stock options to employees under its various schemes such that all employee stock options available for grant (including lapsed and forfeited options available for reissue) and those already granted but not exercised as on Record Date were proportionately converted into options for shares of face value of ₹ 2/- each and the grant price of all the outstanding stock options (vested, unvested and unexercised options) on the Record Date was proportionately adjusted by dividing the existing grant price by 5. The record date for this purpose was fixed as July 16, 2011.

All the numbers in the tables appearing hereinafter pertaining to stock options are given /restated post sub-division of shares as stated above.

Method used for accounting for shared based payment plan

The Bank has elected to use intrinsic value method to account for the compensation cost of stock options to employees and directors of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option. Following is the activity in the options outstanding under the Employee Stock Options Plan as at March 31, 2012 and as at March 31, 2011. These tables reflect an adjustment effected in the current year to include the effect of options forfeited/lapsed in respect of resigned employees.

Activity in the options outstanding under the Employee Stock Options Plan as at March 31, 2012

Particulars	**Options**	**Weighted Average exercise price (₹)**
Options outstanding, beginning of year	8,59,24,615	325.27
Granted during the year	3,56,03,250	468.67
Exercised during the year	2,05,59,850	*257.91*
Forfeited / lapsed during the year	10,95,275	381.23
Options outstanding, end of year	9,98,72,740	389.52
Options Exercisable	5,64,15,090	332.53

Activity in the options outstanding under the Employee Stock Options Plan as at March 31, 2011

Particulars	**Options**	**Weighted Average exercise price (₹)**
Options outstanding, beginning of year	9,23,47,270	241.54
Granted during the year	3,29,67,500	440.16
Exercised during the year	3,74,12,060	221.36
Forfeited / lapsed during the year	19,78,095	296.38
Options outstanding, end of year	8,59,24,615	325.27
Options Exercisable	5,31,32,115	254.36

Following summarises the information about stock options outstanding as at March 31, 2012

Plan	**Range of exercise price (₹)**	**Number of shares arising out of options**	**Weighted average life of options (in years)**	**Weighted average Exercise Price (₹)**
Plan A	73.26	-	-	-
Plan B	71.72 to 219.74	19,50,300	1.16	207.68
Plan C	126.12 to 219.74	34,21,500	0.93	191.41
Plan D	219.74 to 340.96	2,64,89,250	2.12	276.03
Plan E	440.16 to 508.23	6,62,70,250	1.84	203.86
Key ESOP	23.2	33,595	1.04	23.20
General ESOP	88.45 to 251.72	17,07,845	1.88	202.65

Following summarises the information about stock options outstanding as at March 31, 2011

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average Exercise Price (₹)
Plan A	73.26	49,500	0.69	73.26
Plan B	71.72 to 219.74	36,86,000	1.95	197.67
Plan C	126.12 to 219.74	67,15,500	1.72	182.98
Plan D	219.74 to 340.96	4,00,13,250	3.09	275.63
Plan E	440.16	3,27,92,500	4.97	440.16
Key ESOP	23.2	77,595	2.04	23.20
General ESOP	88.45 to 251.72	25,90,270	2.85	201.92

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 estimated the volatility based on the historical share prices. The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2012 are:

Particulars	March 31, 2012	March 31, 2011
Dividend yield	0.65% to 0.70%	0.55%
Expected volatility	29.35%	30%
Risk- free interest rate	8.04% to 8.22%	7.53% to 7.62%
Expected life of the option	1 to 6 years	1 to 6 years

Impact of fair value method on net profit and earnings per share ('EPS')

Had compensation cost for the Bank's stock option plans outstanding 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:

(₹lacs)

Particulars	March 31, 2012	March 31, 2011
Net Profit (as reported)	5,167,09	3,926,40
Add : Stock-based employee compensation expense included in net income	-	-
Less : Stock based compensation expense determined under fair value based method (proforma)	377,83	223,21
Net Profit (proforma)	4,789,26	3,703,19
	(₹)	**(₹)**
Basic earnings per share (as reported)	22.11	17.00
Basic earnings per share (proforma)	20.50	16.04
Diluted earnings per share (as reported)	21.91	16.81
Diluted earnings per share (proforma)	20.31	15.85

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 (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. Further, the Company had issued shares to its Employee Welfare Trust as per an old ESOP plan ("EWT Options"), in terms of which the trust grants options to its employees. Such options vest at a definitive date, 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 Employees Stock Options Plan as at March 31, 2012

Particulars	**EWT Options**	**Company Options**	**Weighted average exercise price (₹)**
Options outstanding, beginning of year	1,00,212	4,42,550	135.00
Granted during the year	-	-	-
Exercised during the year	1,00,212	61,050	135.00
Forfeited during the year	-	5,600	135.00
Lapsed during the year	-	4,500	135.00
Options outstanding, end of year	-	3,71,400	135.00
Options Exercisable	-	1,72,300	135.00

Activity in the options outstanding under the Employees Stock Options Plan as at March 31, 2011

Particulars	**EWT Options**	**Company Options**	**Weighted average exercise price (₹)**
Options outstanding, beginning of year	2,25,020	5,42,750	131.48
Granted during the year	-	-	-
Exercised during the year	1,09,808	67,700	119.76
Forfeited during the year	15,000	32,500	135.00
Lapsed during the year	-	-	-
Options outstanding, end of year	1,00,212	4,42,550	135.00
Options Exercisable	-	88,525	135.00

Following summarises the information about stock options outstanding as at March 31, 2012

Plan	**Range of exercise price(₹)**	**Number of shares arising out of options**	**Weighted average life of unvested options (in years)**	**Weighted average exercise price (₹)**
Company Options	135.00	3,71,400	2.28	135.00
EWT Options	-	-	-	-

Following summarises the information about stock options outstanding as at March 31, 2011

Plan	**Range of exercise price(₹)**	**Number of shares arising out of options**	**Weighted average life of unvested options (in years)**	**Weighted average exercise price (₹)**
Company Options	135.00	4,42,550	3.14	135.00
EWT Options	135.00	1,00,212	0.50	135.00

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 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, 2010 are:

Particulars	**EWT Options**	**Company Options**
Dividend yield	Nil	Nil
Expected volatility	73.56% to 79.04%	71.53% to 72.67%

Particulars	EWT Options	Company Options
Risk-free interest rate	6.53% to 8.19%	6.22% to 7.18%
Expected life of the option	0-2 years	0-5 years

Impact of fair value method on net profit and EPS

Had compensation cost for the Company's stock option plans outstanding 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:

(₹ lacs)

Particulars	March 31, 2012	March 31, 2011
Net Profit (as reported)	54,09	77,16
Add : Stock-based employee compensation expense included in net income	-	-
Less : Stock- based compensation expense determined under fair value based method (proforma)	(83)	(1,98)
Net Profit (proforma)	53,26	75,18
	(₹)	**(₹)**
Basic and diluted earnings per share (as reported)	35.87	51.43
Basic and diluted earnings per share (proforma)	35.32	50.11

HDB Financial Services Limited

The shareholders of the Company approved stock option schemes ESOS-1 and ESOS-2 in April 2008, ESOS-3 in October 2009, ESOS-4 in October, 2010 and ESOS-5 in July 27, 2011. 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.

Shares under ESOS-2, ESOS-3 and part of ESOS-4 have vested during the year and have been duly exercised.

ESOS-5 provide for the issuance of options at the recommendation of the Compensation Committee of the Board at a price of ₹ 25 per share.

Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed / approved by the Compensation Committee. Such options are exercisable for a period following 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 has elected to use 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 Options Plan as at March 31, 2012

Particulars	Options	Weighted average Exercise Price(₹)
Options outstanding, beginning of year	6,23,500	10.00
Granted during the year	1,54,500	25.00
Exercised during the year	3,41,600	10.00 & 17.50
Forfeited / lapsed during the year	13,500	17.50
Options outstanding, end of year	4,22,900	19.89

Activity in the options outstanding under the Employee Stock Options Plan as at March 31, 2011

Particulars	Options	Weighted average Exercise Price(₹)

Particulars	Options	**Weighted average Exercise Price(₹)**
Options outstanding, beginning of year	4,70,000	10.00
Granted during the year	3,38,500	17.50
Exercised during the year	1,25,000	10.00
Forfeited / lapsed during the year	60,000	10.00
Options outstanding, end of year	6,23,500	14.07

Following summarises the information about stock options outstanding as at March 31, 2012

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 (₹)**	**Vesting Conditions**
ESOS - 4	17.50	2,61,800	3.03	17.50	2 years service
ESOS - 5	25.00	1,54,500	3.03	25.00	2 years service

Following summarises the information about stock options outstanding as at March 31, 2011

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 (₹)**	**Vesting Conditions**
ESOS - 2	10.00	90,000	3.01	10.00	3 years service
ESOS - 3	10.00	1,95,000	3.50	10.00	2 years service
ESOS - 4	17.50	3,38,500	3.03	17.50	2 years service

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 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 March 31, 2012 are:

Particulars	**March 31, 2012**	**March 31, 2011**
Dividend yield	Nil	Nil
Expected volatility	Nil	Nil
Risk-free interest rate	8.38%	7.67%
Expected life of the option	1 to 5 years	1 to 5 years

Impact of fair value method on net profit and EPS

Had compensation cost for the Company's stock option plans outstanding 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:

(₹ lacs)

Particulars	**March 31, 2012**	**March 31, 2011**
Net Profit (as reported)	51,11	15,81
Add : Stock-based employee compensation expense included in net income	-	-
Less : Stock-based compensation expense determined under fair value based method (proforma)	14	5
Net Profit (proforma)	50,97	15,75
	(₹)	**(₹)**
Basic earnings per share (as reported)	1.25	0.88
Basic earnings per share (proforma)	1.24	0.88

Particulars	March 31, 2012	March 31, 2011
Diluted earnings per share (as reported)	1.25	0.88
Diluted earnings per share (proforma)	1.24	0.88

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 proforma amounts indicated below:

(₹ lacs)

Particulars	March 31, 2012	March 31, 2011
Net Profit (as reported)	5,247,02	3,992,49
Add : Stock-based employee compensation expense included in net income	-	-
Less : Stock-based compensation expense determined under fair value based method (proforma)	378,80	225,24
Net Profit (proforma)	4,868,22	3,767,25
	(₹)	**(₹)**
Basic earnings per share (as reported)	22.45	17.29
Basic earnings per share (proforma)	20.83	16.31
Diluted earnings per share (as reported)	22.24	17.09
Diluted earnings per share (proforma)	20.64	16.12

5. Dividend in respect of Shares to be allotted on Exercise of Stock Options

Any allotment of shares after the Balance Sheet date but before the book closure date pursuant to the exercise of options during the said period will be eligible for full dividend, if approved at the ensuing Annual General Meeting.

6. Upper & lower Tier II capital and innovative perpetual debt instruments

Subordinated debt (Lower Tier II capital), Upper Tier II capital and innovative perpetual debt instruments outstanding as at March 31, 2012 are ₹ 6,981,00 lacs (previous year : ₹ 3,331,20 lacs), ₹ 3,924,65 lacs (previous year: ₹ 3,861,85 lacs) and ₹ 200,00 lacs (previous year: ₹ 200,00 lacs) respectively.

The details of the bonds raised during the year ended March 31, 2012 are given below:

Particulars	Date of Allotment	Coupon Rate (%)	Tenure	Amount (₹ lacs)
Lower Tier II Bonds	May 12, 2011	9.48	15 Years[1]	3,650,00

Note : (1) Call Option exercisable on May 12, 2021 at par with the prior approval of RBI.

The details of the bonds raised during the year ended March 31, 2011 are given below:

Particulars	Date of Allotment	Coupon Rate (%)	Tenure	Amount (₹ lacs)
Upper Tier II Bonds	July 7, 2010	8.70[1]	15 Years[2]	1,105,00

Note:

(1) Coupon rate of 8.70% per annum payable for first 10 years and stepped-up coupon rate of 9.20% per annum for next 5 years if call option is not exercised at the end of 10 years from the date of allotment.

(2) Call Option exercisable on July 7, 2020 at par with the prior approval of RBI.

7. Investments

- Investments include securities of Face Value (FV) aggregating ₹ 1,345,00 lacs (previous year : FV ₹ 820,00 lacs) which are kept as margin for clearing of securities and of FV ₹ 5,732,27 lacs (previous year : FV ₹ 2,150,00 lacs) which are kept as margin for Collateral Borrowing and Lending Obligation (CBLO) with the Clearing Corporation of India Ltd.

- Investments include securities of FV aggregating ₹ 6,00 lacs (previous year : FV ₹ 6,00 lacs) which are kept as margin with National Securities Clearing Corporation of India Ltd. (NSCCIL) and of FV ₹ 5,00 lacs (previous year : FV ₹ 5,00 lacs) which are kept as margin with MCX-SX Clearing Corporation Ltd.

- Investments having FV amounting to ₹ 25,631,20 lacs (previous year: FV ₹ 30,556,80 lacs) are kept as margin with the RBI towards Real Time Gross Settlement (RTGS).

- Other investments include certificate of deposits : ₹ 4,382,09 lacs (previous year : ₹ 4,854,46 lacs), commercial paper : ₹ 1,039,11 lacs (previous year : ₹ 1,161,17 lacs), investment in debt mutual fund units : ₹ 897,28 lacs (previous year : Nil), pass through certificates ₹ 338,86 lacs (previous year : ₹ 516,72 lacs), security receipts issued by Reconstruction Companies : ₹ 50,78 lacs (previous year : ₹ 25,04 lacs), deposits with National Bank of Agriculture and Rural Development ('NABARD') under the RIDF Deposit Scheme : ₹ 9,115,48 lacs (previous year : ₹ 6,503,04 lacs), deposits with Small Industries Development Bank of India ('SIDBI) and NHB under the Priority / Weaker Sector Lending Schemes : ₹ 3,639,09 lacs (previous year : ₹ 2,755,38 lacs).

- 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, issued by the ICAI, and the said accounting standard is thus not applicable. However, pursuant to RBI circular no. DBOD. NO. BP.BC.3/21.04.141/2002, dated July 11, 2002, the Bank has classified these investments as joint ventures.

8. Other Fixed Assets (including furniture and fixtures)

Other fixed assets includes amount capitalized on software, website cost and Bombay stock exchange card. Details regarding the same are as follows:

(₹ lacs)

Particulars	**March 31, 2012**	**March 31, 2011**
Cost		
As at March 31 of the previous year	727,99	630,81
Additions during the year	126,84	97,71
Deductions during the year	-	(53)
Total (a)	**854,83**	**727,99**
Depreciation		
As at March 31 of the previous year	475,37	376,75
Charge for the year	108,77	99,12
On deductions during the year	-	(50)
Total (b)	**584,14**	**475,37**
Net value as at March 31 of the current year (a-b)	**270,69**	**252,62**

9. Other Assets

Other Assets include deferred tax asset (net) of ₹ 1,465,34 lacs (previous year: ₹ 1,189,30 lacs). The break-up of the same is as follows:

(₹ lacs)

Particulars	**March 31, 2012**	**March 31, 2011**
Deferred tax asset arising out of :		
Loan loss provisions	939,63	689,62
Employee Benefits	66,30	56,48
Others	520,90	519,07

Particulars	March 31, 2012	March 31, 2011
Total (a)	**1,526,83**	**1,265,17**
Deferred tax liability arising out of :		
Depreciation	(61,49)	(75,87)
Total (b)	**(61,49)**	**(75,87)**
Deferred tax asset (net) (a-b)	**1,465,34**	**1,189,30**

HDB Financial Services Limited has deferred tax asset amounting to ₹ 14,17 lacs (previous year: ₹ 78 lacs). During the previous year the Company has not recognised such asset in its books by virtue of not having virtual / reasonable certainty that there will be sufficient future taxable income against which such deferred tax assets can be realised.

• Other Assets includes deposits of ₹ 2,11 lacs (previous year: ₹ 2,11 lacs) maintained by HDFC Securities Limited with the Stock Exchange.

10. Provision, Contingent Liabilities and Contingent Assets

Given below are movements in provisions and a brief description of the nature of contingent liabilities recognised by the Bank.

(a) Movement in provision for credit card and debit card reward points

(₹ lacs)

Particulars	March 31, 2012	March 31, 2011
Opening provision for reward points	59,33	34,00
Provision for reward points made during the year	55,10	47,07
Utilisation / Write back of provision for reward points	(22,10)	(18,37)
Effect of change in rate for accrual of reward points	(6,53)	1,78
Effect of change in cost of reward points	-	(5,15)
Closing provision for reward points	85,80	59,33

(b) Movement in provision for legal and other contingencies

(₹lacs)

Particulars	March 31, 2012	March 31, 2011
Opening provision	316,60	271,28
Movement during the year (net)	(30,57)	45,32
Closing provision	286,03	316,60

c) 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.
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.

Sr. No.	Contingent liability*	Brief description
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 customers of the Bank. 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

**Also refer Schedule 12–Contingent liabilities*

11. Commission, Exchange and Brokerage income

Commission, exchange and brokerage income is net of correspondent bank charges and brokerage paid on purchase and sale of investments.

12. The break-up of 'Provisions and contingencies' included in the Statement of Profit and Loss is given below

(₹ lacs)

Particulars	March 31, 2012	March 31, 2011
(VIII) Provision for Income Tax		
- Current	2,670,13	2,284,68
- Deferred	(276,04)	(345,15)
Provision for Wealth tax	56	61
Provision for NPAs	684,67	781,17
Provision for diminution in value of Non performing Investments	93,40	-

Particulars	March 31, 2012	March 31, 2011
Provision for Standard Assets	157,34	3,16
Other Provisions and Contingencies*	541,24	1,143,12
Total	**3,871,30**	**3,867,59**

** Includes (write-back) / provisions for tax, legal and other contingencies ₹ (164,49) lacs (previous year : ₹ 474,90 lacs), Floating Provisions ₹ 700,00 lacs (previous year: ₹ 670,00 lacs), securitised-out assets ₹ 9,84 lacs (previous year : ₹ 2,59 lacs) restructured assets ₹ (4,13) lacs (previous year : ₹ (4,40) lacs), and doubtful assets ₹ 2 lacs (Previous Year ₹ 3 lacs)*

13. Employee Benefits Gratuity

(₹ lacs)

Particulars	March 31, 2012	March 31, 2011
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	137,63	100,10
Interest cost	11,70	7,87
Current service cost	29,00	27,47
Benefits paid	(9,19)	(8,22)
Actuarial (gain) / loss on obligation :		
Experience adjustment	1,22	9,94
Assumption change	(1,76)	47
Present value of obligation as at March 31	168,60	137,63
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	66,51	52,23
Expected return on plan assets	6,37	2,40
Contributions	30,55	20,10
Benefits paid	(9,19)	(8,22)
Actuarial gain / (loss) on plan assets :		
Experience adjustment	(95)	-
Assumption change	3	-
Fair value of plan assets as at March 31Amount recognised in Balance sheet	**93,32**	**66,51**
Fair value of plan assets as at March 31	93,32	66,51
Present value of obligation as at March 31	(168,60)	(137,63)
Asset / (Liability) as at March 31	**(75,28)**	**(71,12)**
Expenses recognised in Statement of Profit and Loss Account		
Interest Cost	11,70	7,87
Current Service cost	29,00	27,47
Expected return on plan assets	(6,37)	(2,39)
Net Actuarial loss recognised in the year	38	10,42
Net Cost	34,71	43,37
Actual return on plan assets	5,45	2,40
Estimated contribution for the next year	41,91	17,61
Assumptions (HDFC Bank Limited)		
Discount rate	8.8% per annum	8.2% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	9.0% Per annum	8.5% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	8.5% per annum	8.5% per annum
Expected return on plan assets	8.6% per annum	8.0% per annum
Salary escalation rate	6.0% per annum	5.0% per annum

Particulars	March 31, 2012	March 31, 2011
Assumptions (HDB Financial Services Limited)		
Discount rate		
Expected return on plan assets	8.28% per annum	8.2% per annum
Salary escalation rate		
General	5.0%per annum	5.0% per annum
Others	5.0% per annum	5.0% per annum

Experience Adjustment

(₹lacs)

Particulars	Year ended March31, 2012	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008
Plan assets	93,32	66,51	52,24	45,67	22,54
Defined benefit obligation	168,60	137,63	100,10	73,19	38,42
Surplus/(deficit)	(75,28)	(71,12)	(47,86)	(27,52)	(15,88)
Experience adjustment gain/(loss) on plan assets	(95)	-	7,42	(3,68)	(1,03)
Experience adjustment(gain)/loss on plan liabilities	1,22	9,94	(5,05)	4,83	6,50

Pension

(₹lacs)

Particulars	March 31, 2012	March 31, 2011
Reconciliation of opening and closing balance of the present value of the defined obligation		
Present value of obligation as at April 1	57,38	40,70
Interest cost	4,61	3,05
Current service cost	1,51	1,76
Benefits paid	(10,09)	(6,99)
Actuarial (gain) / loss on obligation :		
Experience adjustment	1,36	18,50
Assumption change	2,08	36
Present value of obligation as at March 31	**56,85**	**57,38**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	43,35	38,78
Expected return on plan assets	3,78	3,28
Contributions	15,39	5,43
Benefits paid	(10,09)	(6,99)
Actuarial gain / (loss) on plan assets :		
Experience adjustment	(1,29)	2,85
Assumption change	-	-
Fair value of plan assets as at March 31	**51,14**	**43,35**
Amount recognised in Balance sheet		
Fair value of plan assets as at March 31	51,14	43,35
Present value of obligation as at March 31	(56,85)	(57,38)
Asset / (Liability) as at March 31	**(5,71)**	**(14,03)**
Expenses recognised in Statement of Profit and Loss Account		
Interest Cost	4,61	3,05
Current Service cost	1,51	1,76
Expected return on plan assets	(3,78)	(3,28)

Particulars	March 31, 2012	March 31, 2011
Net Actuarial (gain) / loss recognised in the year	4,73	16,01
Net Cost	**7,07**	**17,54**
Actual return on plan assets	2,49	6,13
Estimated contribution for the next year	6,28	35
Assumptions		
Discount rate	8.8% per annum	8.2% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	9.0% per annum	8.5% per annum

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. The Group's investments have been made in insurance funds and securities.

The Group does not have any unfunded defined benefit plan. The Group contributed ₹ 122,01 lacs (previous year : ₹ 95,85 lacs) to the provident fund and ₹ 32,74 lacs (previous year : ₹ 25,86 lacs) to the superannuation plan.

Experience Adjustment*

(₹lacs)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2009
Plan assets	51,14	43,35	38,78	36,90
Defined benefit obligation	56,85	57,38	40,70	34,60
Surplus/(deficit)	(5,71)	(14,03)	(1,92)	2,30
Experience adjustment gain/(loss) on plan assets	(1,29)	2,85	2,78	(2,69)
Experience adjustment (gain)/loss on plan liabilities	1,36	18,50	2,12	(8,06)

* Pension liability relates to employees of eLKB which was merged with eCBOP. Since eCBOP was merged with the bank in the year ended March 31, 2009, there are no figures for the year ended March 31, 2008.

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 Actuary Society of India (ASI) 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 has made a provision of ₹ 9,77 Lacs towards the present value of the guaranteed interest benefit obligation. The actuary has followed Deterministic approach as prescribed by the guidance note.

Assumptions:

Discount rate (GOI security yield)	8.8% per annum
Expected guaranteed interest rate	8.3% (1 year) &Average 8.6%thereafter

The Guidance note on valuation of interest rate guarantee embedded in Provident fund issued by ASI is effective from April1 , 2011. In absence of any valuation guidance for the earlier periods, the obligation has not been valued for the last four years.

Compensated Absences

The actuarial liability of compensated absences of accumulated privileged and sick leaves of the employees of the Group as of March 31, 2012 is given below

(₹ lacs)

Particulars	March 31, 2012	March 31, 2011
Privileged leave	173,23	133,95
Sick leave	34,98	26,36
Total actuarial liability	208,21	160,31
Assumptions (HDFC Bank Limited)		
Discount rate	8.8% per annum	8.2% per annum
Salary escalation rate	9.0% per annum	8.5% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	8.5% per annum	8.5% per annum
Salary escalation rate	6.0% per annum	5.0% per annum
Assumptions (HDB Financial Services Limited)		
Discount rate	8.28% per annum	8.2% per annum
Salary escalation rate		
General	5.0% per annum	5.0% per annum
Others	5.0% per annum	5.0% per annum

14. Segment Reporting

Segment Reporting for the year ended March 31, 2012 is given below

(₹ lacs)

S. No.	Particulars	Treasury	Retail Banking	Wholesale Banking	Other banking Operations	Total
1	Segment Revenue	7,823,56	26,529,26	15,804,29	3,429,28	53,586,39
2	Unallocated Revenue					95,89
3	Less: Inter-segment revenue					20,624,33
4	Income from Operations (1) + (2) – (3)					33,057,95
5	Segment results	381,99	3,486,82	3,271,85	1,432,47	8,573,13
6	Unallocated expenses					905,63
7	Income Tax expense (including deferred tax)					2,394,10
8	Net profit (5) – (6) – (7) (Net Profit before Minority Interest and Earnings from Associates)					5,273,40
9	Segment assets	121,349,00	112,840,91	92,710,51	1,063,770	337,538,12
10	Unallocated assets					3,516,89
11	Total assets (9) + (10)					341,055,01
12	Segment liabilities	26,142,72	189,990,26	76,404,04	3,843,31	296,380,33
13	Unallocated liabilities					14,750,30
14	Total liabilities (12) + (13)					311,130,63
15	Capital Employed (9) - (12)	95,206,28	(77,149,35)	16,306,47	6,794,39	41,157,79
	(Segment Assets - Segment Liabilities)					
16	Unallocated (10) - (13)					(11,233,41)
17	Total (15) + (16)					2,992,438
18	Capital expenditure	43,29	539,74	78,93	72,68	734,64
19	Depreciation	36,54	365,44	75,09	77,09	554,16

Segment Reporting for the year ended March 31, 2011 is given below:**(₹ lacs)**

S. No.	Particulars	Treasury	Retail Banking	Wholesale Banking	Other banking Operations	Total
1	Segment Revenue	5,391,16	19,505,03	11,612,89	2,849,94	39,359,02
2	Unallocated Revenue					(1,23)
3	Less: Inter-segment revenue					14,729,41

S. No.	Particulars	Treasury	Retail Banking	Wholesale Banking	Other banking Operations	Total
4	Income from Operations (1) + (2) – (3)					24,628,38
5	Segment results	96,12	3,014,57	2,423,31	1,158,15	6,692,15
6	Unallocated expenses					734,94
7	Income Tax expense (including deferred tax)					1,939,52
8	Net profit (5) – (6) – (7) (Net Profit before Minority Interest and Earnings from Associates)					4,017,69
9	Segment assets	95,392,16	88,065,88	85,074,76	5,877,28	274,410,08
10	Unallocated assets					3,552,86
11	Total assets (9) + (10)					277,962,94
12	Segment liabilities	15,369,43	147,061,74	75,414,37	1,086,31	238,931,85
13	Unallocated liabilities					13,654,73
14	Total liabilities (12) + (13)					252,586,58
15	Capital Employed (9) - (12)	80,022,73	(58,995,86)	9,660,39	4,790,97	35,478,23
	(Segment Assets - Segment Liabilities)					
16	Unallocated (10) - (13)					(10,101,87)
17	Total (15) + (16)					2,537,636
18	Capital expenditure	60,73	423,87	90,04	39,82	614,46
19	Depreciation	53,98	324,36	87,52	43,25	509,11

An amount of ₹ 5,003,64 lacs pertaining to grossed up unrealised gain on foreign exchange and derivatives contracts has been reclassified from 'Unallocated' to 'Treasury' segment in the Segmental capital employed (asset - liabilities) as at March 31, 2011.

15. Related Party Disclosures

As per AS-18, Related Party Disclosure, issued by the ICAI, the Bank's related parties are disclosed below:

Promoter
Housing Development Finance Corporation Limited

Enterprises under common control of the promoter
HDFC Asset Management Company Limited
HDFC Standard Life Insurance Company Limited
HDFC Developers Limited
HDFC Holdings Limited
HDFC Investments Limited
HDFC Trustee Company Limited
GRUH Finance Limited
HDFC Realty Limited
HDFC ERGO General Insurance Company Limited
HDFC Venture Capital Limited
HDFC Ventures Trustee Company Limited
HDFC Sales Private Limited
HDFC Property Ventures Limited
HDFC Asset Management Company (Singapore) Pte. Limited
Griha Investments
Credila Financial Services Private Limited
HDFC Education and Development Services Private Limited

Associates
Atlas Documentary Facilitators Company Private Limited
HBL Global Private Limited

Centillion Solutions and Services Private Limited (ceased to be an associate from December 31, 2011)
International Asset Reconstruction Company Private Limited

Key Management Personnel
Aditya Puri, Managing Director
Paresh Sukthankar, Director
Harish Engineer, Director

Related Parties to Key Management Personnel

Salisbury Investments Private Limited, Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad, Sudha Engineer, Shreematiben Engineer, Nikhil Engineer, Uma Engineer, Mahesh Engineer.

In accordance with paragraph 5 of AS 18, the Bank has not disclosed certain transactions with Key Management Personnel and 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, 2012 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 :

- Purchase of fixed assets: HBL Global Private Limited ₹ 20 lacs (previous year : ₹ 10 lacs).
- Sale of fixed assets: Atlas Documentary Facilitators Company Private Limited ₹ 13 lacs (previous year: nil).
- Interest paid: Housing Development Finance Corporation Limited ₹ 7,55 lacs (previous year : ₹ 4,88 lacs); HDFC ERGO General Insurance Company Limited ₹ 2,04 lacs (previous year : nil); Atlas Documentary Facilitators Company Private Limited ₹ 4,04 lacs (previous year : ₹ 2,05 lacs).
- Rendering of Services: Housing Development Finance Corporation Limited ₹ 106,97 lacs (previous year : ₹ 96,47 lacs); HDFC Standard Life Insurance Company Limited ₹ 456,37 lacs (previous year : ₹ 669,64 lacs); HDFC ERGO General Insurance Company Limited ₹ 110,44 lacs (previous year : ₹ 77,99 lacs)
- Receiving of Services: HBL Global Private Limited ₹ 360,40 lacs (previous year : ₹ 290,19 lacs); Atlas Documentary Facilitators Company Private Limited ₹ 324,43 lacs (previous year : ₹ 266,66 lacs).
- Dividend paid : Housing Development Finance Corporation Limited ₹ 129,76 lacs (previous year : ₹ 94,37 lacs); HDFC Investments Limited ₹ 49,50 lacs (previous year : ₹ 36,00 lacs);

The Group's related party balances and transactions for the year ended March 31, 2012 are summarized as follows:

(₹ lacs)

Items / Related Party	Promoter	Enterprises under Common Control of the Promoter	Associates	Key Management Personnel	Total
Deposits taken	2,110,77	360,10	45,71	10,83	2,527,41
	(2,110,77)	(360,10)	(45,71)	(10,83)	(2,527,41)
Deposits placed	15	-	30,95	2,22	33,32
	(15)	-	(77,60)	(2,22)	(79,97)
Advances given	-	-	27,90	73	28,63
	-	-	(34,36)	(73)	(35,09)
Fixed assets purchased	-	-	20	-	20
from					
Fixed assets sold to	-	-	13	-	13

Items / Related Party	Promoter	Enterprises under Common Control of the Promoter	Associates	Key Management Personnel	Total
Interest paid to	7,55	2,36	4,15	43	14,49
Interest received from	-	-	1,39	3	1,42
Income from services	106,97	619,73	20,93	-	747,63
rendered to					
Expenses for receiving	24,79	36,62	685,50	60	747,51
services from					
Equity / Other Investments	-	-	66,13	-	66,13
	-	-	(66,58)	-	(66,58)
Dividend paid to	129,76	49,50	-	-	179,26
Dividend received from	-	-	1	-	1
Receivable from	13,65	77,32	-	-	90,97
	(13,65)	(77,32)	(7,15)	-	(98,12)
Payable to	8,35	-	50,89	-	59,24
	(8,35)	-	(63,32)	-	(71,67)
Remuneration paid	-	-	-	9,98	9,98
Loans purchased from	4,977,62	-	-	-	4,977,62

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 certain parties which includes the promoter and related group companies. 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, 2012 is ₹ 250,00 lacs (previous year : ₹ 250,00 lacs). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is ₹ 15,23 lacs (previous year : ₹ 11,08 lacs).

The Group's related party balances and transactions for the year ended March 31, 2011 are summarized as follows:

(₹ lacs)

Items / Related Party	Promoter	Enterprises under Common Control of the Promoter	Associates	Key Management Personnel	Total
Deposits taken	1,619,82	192,42	45,59	7,21	1,865,04
	(1,619,82)	(320,00)	(53,26)	(12,88)	(2,005,96)
Deposits placed	15	34	30,60	2,22	33,31
	(15)	(34)	(32,55)	(2,22)	(35,26)
Advances given	-	-	-	73	73
	-	-	-	(73)	(73)
Fixedassets purchased from	-	-	10	-	10
Interest paid to	4,88	1,00	2,08	18	8,14
Interest received from	-	-	-	4	4
Income from services rendered					
to	96,47	794,50	20,98	-	911,95
Expenses for receiving services from	17,48	31,29	559,02	60	608,39
Equity / Other Investments	-	-	40,15	-	40,15
	-	-	(42,64)	-	(42,64)
Dividend paid to	94,37	36,00	-	-	130,37
Receivable from	8,29	53,14	-	-	61,43

Items / Related Party	Promoter	Enterprises under Common Control of the Promoter	Associates	Key Management Personnel	Total
	(9,59)	(122,56)	(4,30)	-	(136,45)
Payable to	-	-	38,52	-	38,52
	-	-	(63,21)	-	(63,21)
Remuneration paid	-	-	-	8,27	8,27
Loans Purchased	4,378,97	-	-	-	4,378,97
Financial Assets sold to securitization / reconstruction company	-	-	10,75	-	10,75

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.

16. Leases

Operating leases primarily comprise office premises, staff residences and ATMs, which are renewable at the option of the Bank. The details of maturity profile of future operating lease payments are given below:

(₹ lacs)

Period	March 31, 2012	March 31, 2011
Not later than one year	527,21	453,45
Later than one year and not later than five years	1,785,11	1,531,54
Later than five years	750,84	662,22
Total	3,063,16	2,647,21
The total of minimum lease payments recognized in the Profit and		
Loss Account for the year	549,51	479,60
Total of future minimum sub-lease payments expected to be		
received under non-cancellable subleases	66,82	74,60
Sub-lease payments recognized in the Statement of Profit and Loss for the year	24,17	18,18

During the previous year, the Bank has entered into an operating lease agreement with a counter-party for leasing certain assets. These are in the process of being deployed. The future lease payment for this lease is linked to volume of usage of the leased assets and accordingly, the future minimum lease payments cannot be estimated at this stage.

The Bank has sub-leased certain of its properties taken on lease. There are no provisions relating to contingent rent.

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.

17. Penalties levied by the RBI

The RBI issued a show cause notice in October 2010 to the Bank for having contravened the guidelines issued by the RBI and provisions of Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulation 2000 in respect of derivative deals done by the Bank as observed in its annual financial inspection of the Bank with respect to its financial position as at and for the years ended 31 March 2007 and 31 March 2008. Subsequently, the Bank, vide its letter dated October 19, 2010, submitted a detailed response to the RBI explaining the Bank's position and clarifying that the Bank was in compliance with the RBI guidelines. While RBI accepted some of the submissions made by the Bank, few other submissions made in the matter were not accepted by RBI. RBI, accordingly, imposed a penalty of ₹ 15 lacs for non-compliance of the RBI's directions and instructions in terms of Section 47A (1)(b) read with Section 46(4) of the Banking Regulation Act 1949. The stated amount was paid by the Bank during the fiscal year ended 2012.

18. Change in Accounting Estimates

HDFC Bank Limited

Useful Life of Fixed Assets

During the previous year ended March 31, 2011, the Bank revised the estimated useful life of point of sale machines and certain information technology servers. Depreciation on these assets is charged prospectively over the revised useful life of the asset. Consequently, profit after tax for the previous year was lower by ₹ 39,05 lacs.

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 intimations received from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 there are nine (previous year: eight) suppliers registered under the said Act, and there are no amounts unpaid to these suppliers as at the year end.

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, 2012 was Nil. During the previous year the amount unpaid was ₹ 0.1 lacs.

20. 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.

21. 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

C. M. Vasudev
Chairman

Aditya Puri
Managing Director

Sanjay Dongre
Executive Vice President (Legal) &
Company Secretary

Harish Engineer
Executive Director

Parekh Sukthankar
Executive Director

A. N. Roy
Ashim Samanta
Bobby Parikh
Dr. Pandit Palande
Keki Mistry
Partho Datta
Renu Karnad
Directors

DECLARATION

The Bank certifies that all relevant provisions of Chapter VIII and Schedule XVIII of the SEBI Regulations have been complied with and no statement made in this Placement Document is contrary to the provisions of Chapter VIII and Schedule XVIII of the SEBI 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 Placement Document are true and correct.

Signed by:

Sd/-

Aditya Puri

Managing Director

Date: February 5, 2015 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, 2013 and the rules made thereunder;

(ii) the compliance with the Companies Act, 2013 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 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 authorized by the Special Committee of the Board of Directors of the Bank, vide resolution number 3 dated February 5, 2015 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/-

Sanjay Dongre, Executive Vice President Legal & Company Secretary

Date: February 5, 2015

Place: Mumbai

HDFC BANK LIMITED

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HDFC Bank House,
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Mumbai 400013, India
Website: www.hdfcbank.com
CIN: L65920MH1994PLC080618

Compliance Officer: Sanjay Dongre
Tel: (91 22) 2498 8484 ; Fax: (91 22) 24988484; E-mail: sanjay.dongre@hdfcbank.com

GLOBAL COORDINATORS AND BOOK RUNNING LEAD MANAGERS

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BOOK RUNNING LEAD MANAGERS

Barclays Bank PLC 801 / 808 Ceejay House, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai 400 018	**Goldman Sachs (India) Securities Private Limited** 951-A Rational House Appasaheb Marathe Marg Prabhadevi, Mumbai 400 025 Maharashtra, India	**Nomura Financial Advisory and Securities (India) Private Limited** Ceejay House, Level 11, Plot F Shivsagar Estate, Dr. Annie Besant Road, Worli Mumbai 400 018	**UBS Securities India Private Limited** 2 /F, 2 North Avenue, Maker Maxity Bandra-Kurla Complex, Bandra (East), Mumbai 400 051

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