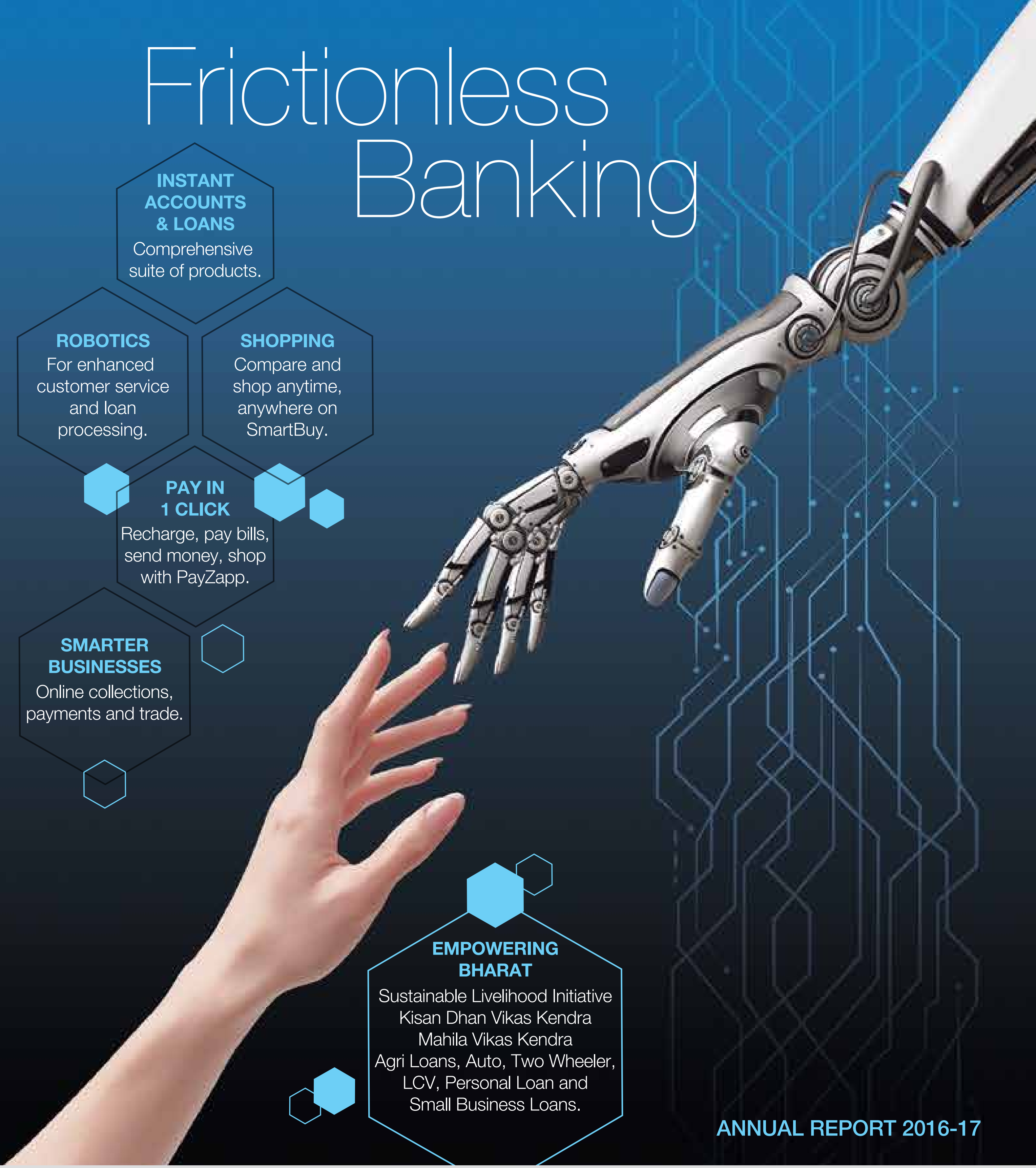
Frictionless Banking



INSTANT ACCOUNTS & LOANS
Comprehensive suite of products.

ROBOTICS
For enhanced customer service and loan processing.

SHOPPING
Compare and shop anytime, anywhere on SmartBuy.

PAY IN 1 CLICK
Recharge, pay bills, send money, shop with PayZapp.

SMARTER BUSINESSES
Online collections, payments and trade.

EMPOWERING BHARAT
Sustainable Livelihood Initiative
Kisan Dhan Vikas Kendra
Mahila Vikas Kendra
Agri Loans, Auto, Two Wheeler, LCV, Personal Loan and Small Business Loans.

ANNUAL REPORT 2016-17

bank aapki mutthi mein

HDFC BANK
We understand your world

Accolades

Asiamoney India Banking Awards 2017

- Best Domestic Bank - India

Barron's World's Top 30 CEOs

- Aditya Puri in Barron's Top 30 Global CEOs (3rd consecutive year)

BrandZ Top 50 Most Valuable Indian Brands 2016

- India's Most Valuable Brand (3rd consecutive year)

Business Standard Annual Awards 2016

- Banker of the Year - Aditya Puri

Business Today - KPMG India's Best Banks 2016

- Bank Of The Year (Private Sector)
- Best Large Size Bank
- Fastest Growing Large Bank

Cisco-CNBC TV 18 Digitizing India Awards

- Award for Innovations in the Financial Industry & Digital Banking

CNBC-TV18 India Business Leader Awards (IBLA) 2015-16

- Outstanding Business Leader of the Year - Aditya Puri

Finance Asia Poll On Asia's Best Companies 2016

- Best CEO - Aditya Puri
- Best at Investor Relations - Rank 1
- Most Committed to Corporate Governance - Rank 1

IBA Banking Technology Awards 2017

- Best Bank - IT Risk and Cyber Security Initiatives

IDRBT Banking Technology Excellence Awards 2016

- Best Bank - Banking Technology Excellence

Institutional Investor All-Asia Executive Team Ranking 2016

- Best CEO - Aditya Puri
- Ranked Best Company in Banks Sector of Asia (ex-Japan)

National Payments Excellence Awards 2016

- Best Bank - Cheque Truncation System (CTS)
- Best Bank - National Automated Clearing House (NACH)
- Best Bank - National Financial Switch (NFS)

Outlook Money Awards 2016

- Bank of the Year

The Financial Express India's Best Banks Awards 2015-16

- Lifetime Achievement Award - Aditya Puri

Highlights

Net Profit

₹ 14,550 crore

An increase of 18.3% compared to the previous year.

Balance Sheet Size

₹ 863,840 crore

An increase of 16.6% compared to the previous year.

Total Deposits

₹ 643,640 crore

An increase of 17.8% compared to the previous year.

Total Advances

₹ 554,568 crore

An increase of 19.4% compared to the previous year.

Capital Adequacy Ratio

14.6%

Tier I Capital Ratio

12.8%

Gross Non-performing Assets

1.05% of Gross Advances

Network

- Branches: 4,715
- ATMs: 12,260
- Cities/Towns: 2,657

Tomorrow's World, Lived Here and Now

A resplendent road ahead

We are ready for a future, teeming with infinite possibilities! Modern banking is deploying new ideas and breakthrough innovation to create a bouquet of services for the customer.

In 1950, the renowned mathematician Alan Turing suggested how machines could one day rise to a level of human intuition and intelligence—if armed with the right set of data and tech. Today, Artificial Intelligence (AI) is poised to carve its own niche. The service industry was the first to wake up to the AI revolution; we believe the time has come for banking to embrace digitalization.

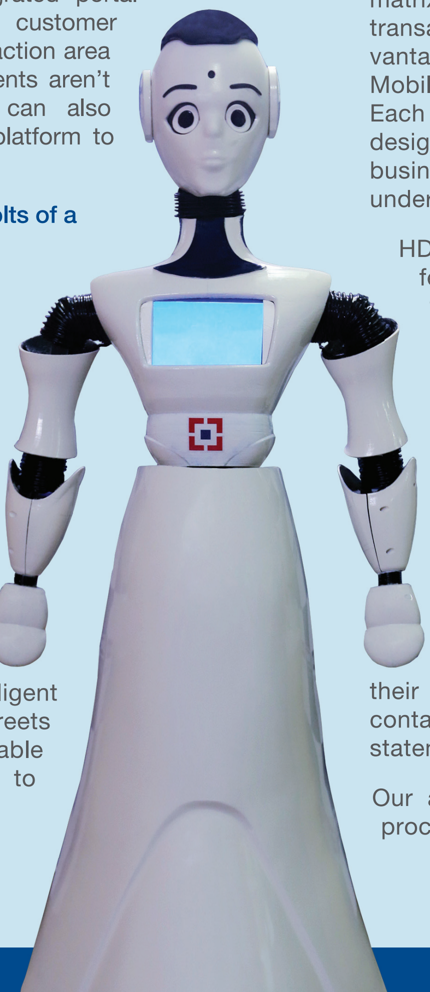
Our firm faith in 'breakthrough tech' is an essential part of our DNA.

At HDFC Bank, an overwhelming number of our customer transactions occur over digital channels—81%, in fact. This has only reinforced our focus on emerging trends like social media banking and use of chatbots and 'conversational banking', which are capable of reimagining the experience for the customer, making it more personalised, contextual, and relevant. HDFC Bank's new integrated portal brings a unified and convergent customer experience, regardless of channel, action area or service platform. These movements aren't only for individuals; businesses can also benefit from our ENet offering, a platform to conduct daily transactions.

Inside the change – the nuts and bolts of a transformation

Globally, we have witnessed the emergence of customer preferences. Apart from telephonic or even online support, chat interfaces powered by AI and Natural Language Processing (NLP) are emerging as channels of choice.

HDFC Bank is a pioneer in self-service channels. Earlier this year, we became the first bank in India to introduce a humanoid robot. At the welcome desk of one of our prominent branches, an Intelligent Robotic Assistant (or IRA) greets customers, displays a list of available services, and accompanies them to the relevant counter.



Our impact isn't limited to physical branches only. Consider EVA, for instance, our Electronic Virtual Assistant. Eva is a one-of-its-kind model that leverages the astounding power of AI. Assimilating knowledge from a plethora of sources, it can offer clear, coherent answers in less than 0.4 seconds. HDFC Bank OnChat, a personalised and business-friendly chatbot simplifies digital transactions for our customers. Linked to popular social media channels, we simplify payments across the board—paying bills, recharging mobile phones, booking cabs and even making reservations. More importantly, the chatbot aims at universality; we support customers outside our immediate network—with around 17% comprising non-HDFC Bank users. Since the launch of AI/ML-based digital commerce within the social media messenger and the bank's website, conversational payments have scaled up tremendously.

Exploding the ordinary – new ideas for a new world

At HDFC Bank, we believe in breaking the boundaries of conventional approaches to banking.

Mobile banking is imperative to any financial entity's product matrix; consumers prefer the opportunity to perform multiple transactions on-the-go and HDFC Bank is at a perfect vantage point to deliver a host of new apps such as the new MobileBanking app, Account Opening app, and Wallet app. Each mobile app is finely crafted with acute focus on smart design thinking—bringing together intelligent tech, with business requirements, and most importantly, a deep understanding of essential customer needs.

HDFC Bank's PayZapp incorporates seven payment features, including card-free alternatives. QR codes take this approach further, exploring new areas in customer engagement.

And, even as we speak, the world is shifting to a whole new model of activity that's platform and device 'agnostic'. Paired with Apple's smart watch, WatchBanking puts 10 critical services literally at the users' fingertips—like the ability to hotlist lost debit cards without any delay.

The bank has introduced interactive statements (called SmartStatement). This is an amalgamation of several customised features, including financial summary and tools. Customers can sort and analyze their monthly transactions, get personalised offers, and contact their relationship managers directly from the statement itself.

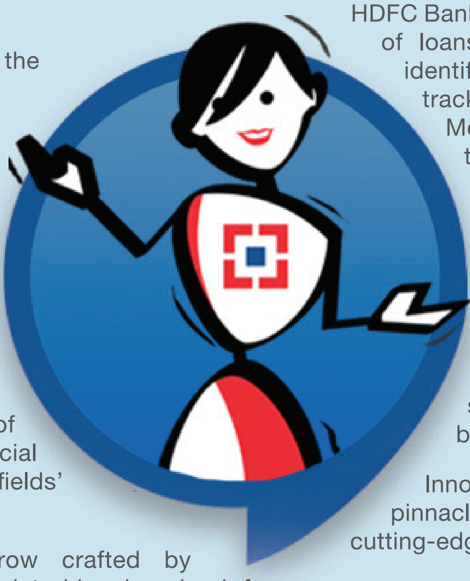
Our approach to automation is intrinsic - fifteen manual processes have been identified that could significantly gain

from Robotic Process Automation (RPA). HR, security, fraud detection, and more—our RPA framework renders every task, without fatigue, error-free, and is highly scalable.

Further, to meet the needs of all segments of society, the bank has introduced Missed Call Recharge. The service does not use a data connection and is accessible to everyone with a basic mobile phone.

Architecting a revolution – loan processes like never before

This brings us to an essential cog in the larger banking wheel—lending and credits. Conventional methods are fraught with ambiguity, and multiple limitations. Banks continue to depend on information 'stubs' for high priority decisions. India's massive rural populace, with its self-employed and unorganized sector borrowers, only exacerbates the situation.



We believe the answer to these challenges lies in the realms of data—the rich and expansive social media universe—literally 'data minefields' waiting to be smartly utilized.

HDFC Bank envisions a tomorrow crafted by continuous synergies; where this data-hive is mined for endless insights.

And our customers will hugely benefit from these initiatives—personalised offers and services, annotated to their specific place or stage in life. Our Marketing Team too applies AI to predict customer response based on past behavioral patterns using big data.

A high-speed scoring engine called the "Power of 27" is in the works, combining credit, application and debit scores for real-time loan approvals. Next-gen form-reading and OCR technologies are also on our agenda—this would substantially streamline decision-making, advancing the evaluation engine from linear scorecards to ML and AI capabilities.

Smart Account opening, scans using OCR tech and QR Code capture, are also a part of the Bank's future blueprint.

In our continuous endeavour for customer self-service and customised offerings, HDFC Bank has enabled its customers to design their own Loan Against Securities (LAS) to unlock the value of their equity holdings and make it work for them. 'Digital LAS'—an instantaneous and online limit set up against the security of shares is an 'industry-first' initiative. In this feature HDFC Bank Demat customers can access several user-friendly elements, such as eligibility calculation for overdraft limit against shares as well as current account opening with set limits, instantly. The pioneering 10 second Personal Loans which provide instant loans through NetBanking for select customers, now contributes a significant proportion of the total personal loans disbursed.

HDFC Bank is a leading player in the automobile financing business with over 15 years of experience in customer lending and the overall value chain. It has a multi and omni - channel approach to reaching out to customers. The bank is also a digital pioneer and uses biometrics in its loan-processing modules. Our app, Autopedia, facilitates vehicle research, test drives, vehicle selection, valuation and exchange of vehicles and loans—a first for any kind of automobile financier.

HDFC Bank's Loan Assist app helps users opting for all types of loans in their loan application journey. Users can identify the best-fit solution, apply through it and even track the status of the application using the app. Moreover, the app has several value-added features that allow users to manage daily finances.

PayZapp and SmartBuy offer a unique combination of 1-click payments wherein the customers need only a single click to recharge their mobiles, pay utility bills, transfer money to a friend, avail online shopping offers, shop for groceries, buy movie tickets and compare flight tickets while planning their travel without having to share their card details with anyone outside the bank.

Innovations such as these put HDFC Bank at the pinnacle of tech evolution—while offering our customers a cutting-edge, world-class digital banking experience.

Bank aapki mutthi mein—at HDFC Bank we will continue to push the envelope, ensuring a convenient and delightful experience for our customers.

Engineering Change: Banking on Bharat

Banking in rural areas has not been able to keep up with the growth in urban banking. But we have strived to create a responsive, sustainable, and all-encompassing ecosystem, which is key to India's economic upliftment.

More than half of the bank's branches are in semi-urban and rural areas, demonstrating our commitment to promote rural banking.

Rural Banking Group

Farmers are the backbone of our country's economy, integral to its eventual growth and development. The bank's principal objective is to empower rural India.

The bank has penetrated several remote geographies through its flagship product, the Kisan Gold Card. It has covered approximately 60,000 villages so far. The bank has designed a range of crop and geography-specific products based on respective harvest cycles and the local needs of farmers based in diverse agro-climatic zones across India. Exclusive products ensure credit for activities allied to agriculture such as dairy, pisciculture and sericulture.

The bank has established a footprint in the hinterlands leveraging its extensive know-how of rural customers and delivering the right products at affordable prices with rapid turnaround times.

Technology and deep branch penetration have enabled the bank to deliver agricultural loans within three to four working days in certain geographies. Additionally, an eligible farmer can avail of an enhancement to a loan in a few seconds using ATMs or mobile phones.

The bank also offers many other credit products such as two-wheeler loans, car loans, and mortgage loans to bolster financial inclusion in rural areas. Specific needs are addressed with individualised offerings to manage multiple consumption requirements. The bank has shifted from a product-centric approach to a customer-centric one to expand its presence in rural territories in a cost-effective manner.

With a sound knowledge of the rural ecosystem, the bank endeavors to augment penetration of the liability base in rural geographies. The bank has a symbiotic relationship with rural customers and is making efforts to empower them by providing technical support, besides offering financial products.

Kisan Dhan Vikas Kendras, launched across the country as a part of these efforts, can help a farmer with free Soil Health Cards, Mandi prices, financial literacy, digital literacy, information on various government initiatives, etc.

Farmers can avail the benefits of these services online on the bank's website at Kisan Dhan Vikas e-Kendras. This service is available in multiple vernacular languages. The bank is constantly striving to improve the platform to make it more user-friendly considering the requirements of the rural population.

The bank, through various collaborative efforts, provides free SMS advice on weather, cropping and harvesting.

Further, HDFC Bank digitized payments at over 1,200 milk cooperatives across the nation. The move is part of the bank's Milk to Money (M2M) program, benefitting 3.2 lakh dairy farmers in 16 states. M2M aims to bring dairy farmers into the organized banking system by digitizing the supply chain, with specific and customized products targeted at satisfying their banking and financial needs.

M2M ATMs at large collection centers are equipped with cash dispensers. Smaller collection points have business correspondents who operate micro ATMs allowing dairy farmers to withdraw cash from their accounts.

The program has enunciated greater transparency in the milk collection process impacting society at large by eradicating cash management worries. A credit history is also generated which helps farmers take out loans or avail other banking products. Further, the society functioning as a business correspondent is able to distribute the bank's products to all households in the catchment area.

HDFC Bank's Sustainable Livelihood Initiative (SLI) aims to include and uplift households at the bottom of the pyramid. The bank has adopted a holistic approach that encompasses occupational training, financial literacy, and credit counselling to empower people. Self-Help Groups and Joint-Liability Groups have been instrumental in helping the bank accelerate its direct linkage program. The bank aims to reach out to 1 crore households with the initiative, for which it has hired thousands of employees.

The SLI program has been hugely successful, which has been noted by important institutions. The National Bank for Agriculture and Rural Development has commended the bank's SLI program in its publication, The Status of Microfinance in India 2014-15. It recommended that HDFC Bank's SLI model be studied for adoption by other banks.

The bank has also been at the centre of crafting innovations in retail banking. It offers recharge facilities through missed calls. The move is targeted at semi-urban and rural customers. The idea has been extended to include fixed deposits and fund transfers.

A larger proportion of the bank's business is expected to accrue from rural banking in the years to come. With rural household incomes on the rise, the bank is well poised to participate in the expanding demand in financial services and products.

Energizing Livelihoods, Building Tomorrows – Footprints on the Road to Sustainability

At HDFC Bank, we believe in banking with a purpose – a commitment to society, sustainability, and welfare for all, enshrined in our Sustainable Livelihood Initiative (SLI) program.

Beyond mere invigorated service bouquets, SLI is targeted at the very root of individual identity and self-reliance. Our goal is to make growth all-inclusive, ensuring individual and economic empowerment. The bank has a board-approved program to financially include 1 crore households residing at the periphery of the nation's economic landscape.

Since 2010, the SLI mission has reached new levels of fruition, enabling people at the bottom of the economic pyramid to achieve financial independence and social recognition as well as unbridled occupational access. As of March 2017, SLI has covered approximately 6.8 million households, spread across 385 districts in over 25 states, disbursing loans worth Rs. 16,278 crores.

Despite its relatively nascent origins, the program has found success through cutting-edge tech and time-tested operating models. A key objective of SLI is the ability to offer viable and timely credit on a sustainable basis, thereby minimizing borrowing from unwarranted sources and ultimately enabling economic upliftment. The program has leveraged the ecosystem's mobile connectivity, technological advancements in mobility solutions, improved data bureaus, etc. to create a system that effectively helps in achieving the key objective. SLI utilizes mobility solutions that will help in cutting down the TAT along with scan-based disbursements. Data once captured will be digitally reproduced and hence, customers will not be required to visit a branch every time.

To empower and liberate women entrepreneurs, SLI also conducts skill-building exercises. After undergoing training in sharbat making and tailoring, Kulwant Kaur of Bathinda, Punjab, began making sharbat at her home and sold it at her grocery shop. This helped her bring in additional revenues and encouraged other women in the locality to pursue similar income-driving activities. Meenu Agarwal from Samrala, Punjab, also shares a similar story. She participated in a training on preparing phenyl at home before taking her produce to the local market.

The SLI income generation plan has benefited millions, including Kanagapushpam from Nagercoil, Tamil Nadu, who started her readymade garment business by availing financial support. Women like Kanagapushpam embody the true spirit of entrepreneurship, helping carve a vibrant niche for herself and in the process, improving India's social mores towards women.

SLI resolves to renew its promise for a stronger, better, and brighter India. As part of this drive toward a newer tomorrow, SLI is reaching out to as many people as it can. Its relentless efforts have borne fruit and had an impact in Bihar, Madhya Pradesh, Rajasthan, and Uttar Pradesh. HDFC Bank was recognized as the "Best Bank" in Jharkhand and Uttar Pradesh by NABARD for the highest JLG Bank Linkage Programme. This reaffirms our resolve, pushing us ahead of our past achievements in holistic banking, capacity building and livelihood programs for rural India.

We believe this is an ongoing cycle of challenge, change and inclusivity – and will connect our enterprise vision with India's populace.

Anita Devi from Kalambagh, Bihar, recounts how she had availed a loan from the bank to invest in her tailoring activity.

However, given unsatisfactory earnings, managing the EMI became an arduous task — **"After learning about my difficulty, the bank staff facilitated a job of rolling papads at the Lijjat papad company. The income from the job and the tailoring activity is helping me to service the EMI as well as meet family expenses."**

Samina from Bundi, Rajasthan, narrates how a loan from HDFC Bank helped her purchase raw materials for her bangle-making business — **"My family has been engaged in**

making traditional bangles for decades. A loan availed from the bank helped us purchase raw materials. We have increased production, which is now helping us earn good profit. In the future, we hope to avail a bigger loan and take this activity to greater heights."

Varsha Soni from Neemuch, Madhya Pradesh, also describes how a loan from the bank helped her expand her tailoring business after her husband's death — **"The bank loan helped me expand my business. I am now also training other women in my village so that in the future, they are able to take care of their families during crises."**

Vaja Gitaben Mahendrasingh from Chitra, Gujarat, was unable to provide for her family due to a paucity of funds. Joining the bank's group and gaining credit support has helped her overcome her challenges and initiate her sari designing work. **"This has enabled me to give my children a quality education."** she says.

Asifa Begum from Sagara, Karnataka, has hugely benefited from the program, successfully running her sandalwood garland-making business for over eight years now — **"In recent times, material costs have increased and I was unable to cope. Then I took a loan from the bank, which helped me continue this business. Now my production has increased and the income from this activity is helping me service my EMI with ease."**

Pradhan Mantri Jan Dhan Yojana

At HDFC Bank, we believe in ensuring financial transactions are more personal, inclusive, and far-reaching. This mandate is in alignment with the Pradhan Mantri Jan Dhan Yojana (PMJDY) launched on August 28, 2014, by the Honorable Prime Minister of India and Jan Dhan-Aadhaar-Mobile (JAM), underlining a steadfast commitment to welfare and upliftment for all.

These vibrant and unique notions are actively propagated by the Indian government in its quest to empower and transform the nation's social fabric for the better.

Aadhaar pivots the bank's financial inclusion strategy where every bank mitra (business correspondent) is equipped with Aadhaar and e-KYC enabled micro-ATMs. The micro-ATMs allow customers to effectively action basic banking activities using the "power of the thumb". Each micro-ATM is fully compliant with contemporary regulatory standards and ensures that customers can perform Rupay card-based transactions. As of March 31, 2017, HDFC Bank has opened 17.33 lakh PMJDY accounts (since inception).

The bank firmly believes in the importance of Aadhaar-linked accounts, particularly in the scenario of direct benefit transfers (DBT), and has pledged to educate and inform its customers on the same. Our plan enables all its digital channels to become Aadhaar-seeding vehicles. Customers can use a variety of options — NetBanking, PhoneBanking, MobileBanking, SMS, and ATM – to seed Aadhaar.

The bank has consistently been a part of several social security schemes launched by the government, and is now recognized as a leader among the private sector banks involved in Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Suraksha Bima Yojana and Atal Pension Yojana.

For FY 2016-17, HDFC Bank disbursed a total amount of Rs. 5,522 crore to 14.78 lakh customers - thereby achieving 104% of the target fixed for the bank. Further, Rs. 147 crore was also disbursed by the bank under the Stand-Up India Program- facilitating loans between Rs. 10 lakh and Rs. 1 crore for Scheduled Caste (SC) or Scheduled Tribe (ST) women borrowers involved in the development of greenfield enterprises.

HDFC Bank feels that financial literacy is at the core of efficient fiscal inclusion, smart digital transactions, and reliable customer protection. The bank's model for the same brings together financial inclusion and financial literacy – as two concurrent pillars operating seamlessly towards a composite whole. Financial literacy helps customers make enlightened fiscal choices, imbibing the benefits of a strong linkage with the banking system and its various digital pipelines for transactions. Educational material for financial literacy is printed in 13 regional languages, simplifying the dissemination of information among attendees.

Till date, HDFC Bank has carried out 1.29 lakh financial literacy camps through its various educational centers spread across schools, gram panchayats, self-help groups, and the like. A total of 11.68 lakh people have benefited from these programs.

The road to a sustainable and financially enriched future for the nation has several milestones. At HDFC Bank, we believe these are some of our proudest achievements - and we remain committed toward the creation of a secure and thriving tomorrow for all of India's populace.

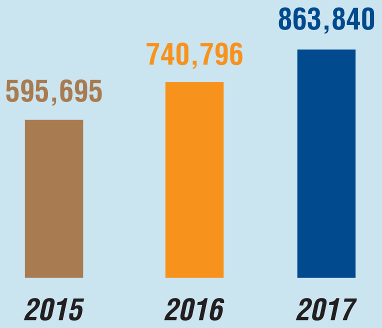
PROFIT AFTER TAX (₹ crore)

DIVIDEND PER SHARE (₹)

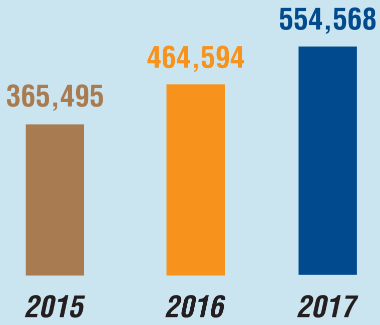
* Proposed

EARNING PER SHARE (₹)

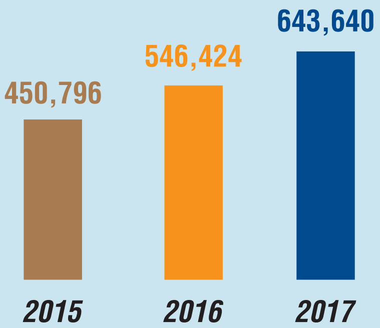
BALANCE SHEET SIZE (₹ crore)



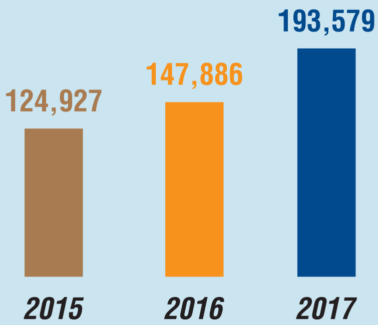
ADVANCES (₹ crore)



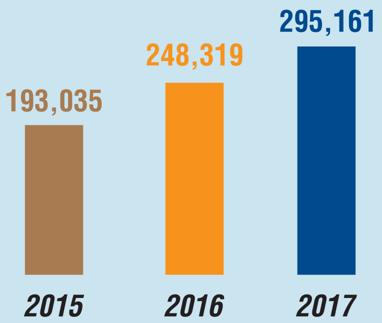
DEPOSITS (₹ crore)



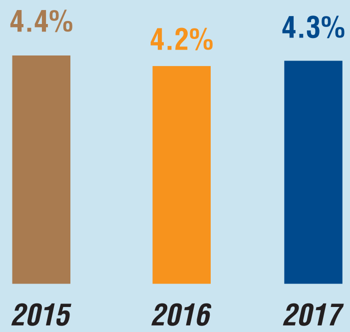
SAVING DEPOSITS (₹ crore)



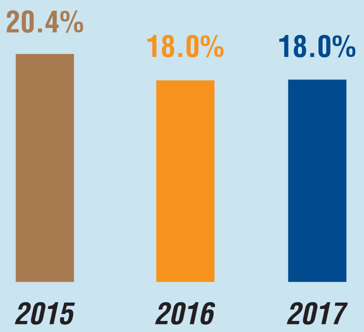
RETAIL ASSETS (₹ crore)



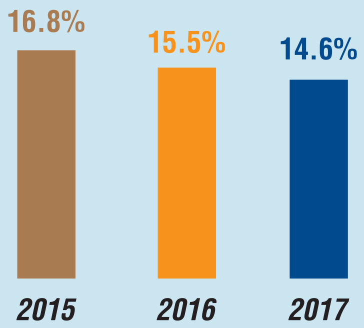
NET INTEREST MARGIN



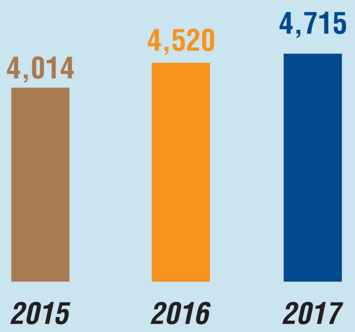
RETURN ON CAPITAL



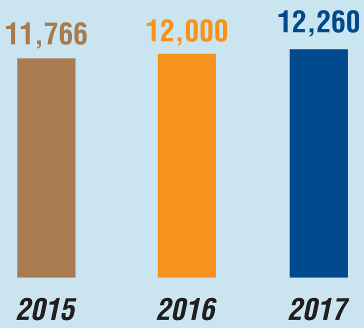
CAPITAL ADEQUACY



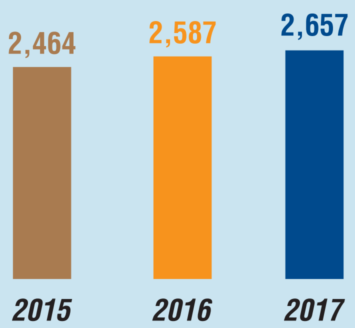
BRANCHES (Nos.)



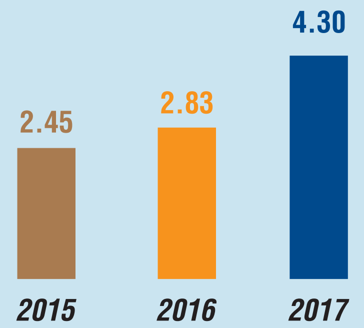
ATMs (Nos.)



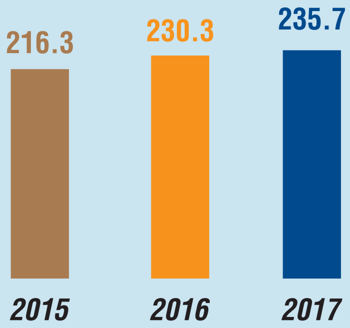
CITIES / TOWNS (Nos.)



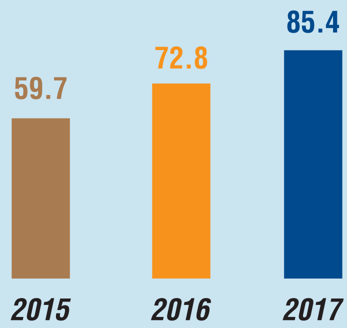
POS TERMINALS INSTALLED (Nos. in lac)



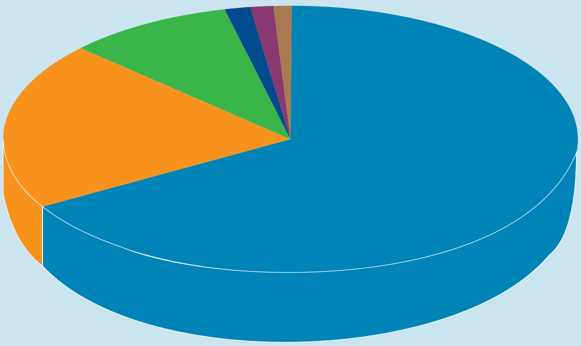
DEBIT CARDS (Nos. in lac)



CREDIT CARDS (Nos. in lac)

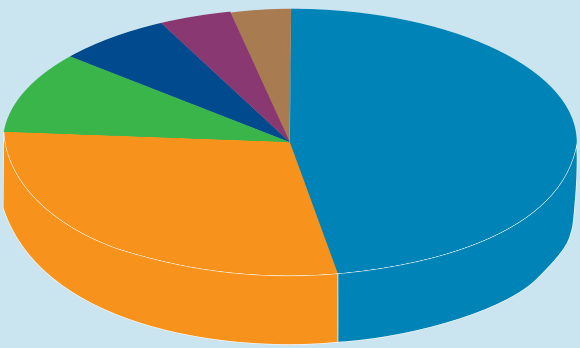


RUPEE EARNED



Interest from Advances	63.8%
Interest from Investments	20.9%
Commission, Exchange, Brokerage	10.8%
Other Interest Income	1.6%
FX & Derivative Income	1.6%
Others	1.3%

RUPEE SPENT



Interest Expense	47.7%
Operating Expense	26.0%
Tax	10.0%
Transfer to Reserve	7.1%
Provisions	4.7%
Proposed Dividend & Tax thereon	4.5%

	2007-2008	2008-2009	2009-2010
Interest income	10,530.43	16,584.01	16,467.92
Interest expense	4,887.12	8,911.10	7,786.30
Net interest income	**5,643.31**	**7,672.91**	**8,681.62**
Other income	2,495.94	3,700.65	4,573.63
Net revenues	**8,139.25**	**11,373.56**	**13,255.25**
Operating costs	4,311.03	5,950.54	6,475.71
Operating result	**3,828.22**	**5,423.02**	**6,779.54**
Provisions and contingencies	1,547.59	2,123.78	2,490.40
Loan loss provisions	1,278.84	1,970.35	2,288.74
Others	268.75	153.43	201.66
Profit before tax	**2,280.63**	**3,299.24**	**4,289.14**
Provision for taxation	690.45	1,054.31	1,340.44
Profit after tax	**1,590.18**	**2,244.93**	**2,948.70**
Funds :			
Deposits	100,768.60	142,811.58	167,404.44
Subordinated debt	3,249.10	8,738.58	6,353.10
Stockholders' equity	11,497.23	14,646.33	21,519.58
Working funds****	138,027.78	183,270.77	222,458.57
Loans	63,426.90	98,883.05	125,830.59
Investments****	53,607.57	53,309.31	51,013.32
Key Ratios :			
Earnings per share (₹) *	9.24	10.57	13.51
Return on average networth	16.05%	16.12%	16.80%
Tier 1 capital ratio	10.30%	10.58%	13.26%
Total capital ratio	13.60%	15.69%	17.44%
Dividend per share (₹) *	1.70	2.00	2.40
Dividend payout ratio	22.17%	22.17%	21.72%
Book value per share as at March 31 (₹) *	64.88	68.86	94.02
Market price per share as at March 31 (₹) **	266.25	194.68	386.70
Price to earnings ratio	28.80	18.42	28.62

₹ 1 Crore = ₹ 10 Million

* Figures for the years prior to 2011-2012 have been adjusted to reflect the effect of split of equity shares from nominal value of ₹ 10 each into five equity shares of nominal value of ₹ 2 each.

** Source : NSE (prices for years prior to 2011-2012 have been divided by five to reflect the sub-division of shares)

*** Proposed

**** Figures for the previous years have been adjusted to reflect the effect of reclassification as mentioned in Schedule 18, Note no.1 forming part of 'Notes to Accounts'.

(₹ crore)

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	
20,380.77	27,874.19	35,064.87	41,135.53	48,469.91	60,221.45	69,305.96	
9,385.08	14,989.58	19,253.75	22,652.90	26,074.23	32,629.93	36,166.74	
10,995.69	**12,884.61**	**15,811.12**	**18,482.63**	**22,395.68**	**27,591.52**	**33,139.22**	
4,945.23	5,783.62	6,852.62	7,919.64	8,996.34	10,751.72	12,296.49	
15,940.92	**18,668.23**	**22,663.74**	**26,402.28**	**31,392.02**	**38,343.24**	**45,435.71**	
7,780.02	9,277.64	11,236.11	12,042.20	13,987.55	16,979.69	19,703.32	
8,160.90	**9,390.59**	**11,427.63**	**14,360.08**	**17,404.47**	**21,363.55**	**25,732.39**	
2,342.24	1,877.44	1,677.01	1,588.03	2,075.75	2,725.61	3,593.30	
1,198.55	1,091.77	1,234.21	1,632.58	1,723.58	2,133.63	3,145.30	
1,143.69	785.67	442.80	(44.56)	352.17	591.98	448.00	
5,818.66	**7,513.15**	**9,750.62**	**12,772.05**	**15,328.72**	**18,637.94**	**22,139.09**	
1,892.26	2,346.08	3,024.34	4,293.67	5,112.80	6,341.71	7,589.43	
3,926.40	**5,167.07**	**6,726.28**	**8,478.38**	**10,215.92**	**12,296.23**	**14,549.66**	
208,586.41	246,706.45	296,246.98	367,337.48	450,795.65	546,424.19	643,639.66	
7,393.05	11,105.65	16,586.75	16,643.05	16,254.90	15,090.45	13,182.00	
25,376.35	29,924.37	36,214.15	43,478.63	62,009.42	72,677.77	89,462.38	
283,634.24	345,248.26	421,327.31	491,599.50	595,695.13	740,796.07	863,840.19	
159,982.67	195,420.03	239,720.64	303,000.27	365,495.04	464,593.96	554,568.20	
67,952.59	89,967.10	111,303.21	100,111.88	156,833.82	195,836.29	214,463.34	
17.00	22.11	28.49	35.47	42.15	48.84	57.18	
16.52%	18.37%	20.07%	20.88%	20.36%	17.97%	18.04%	
12.23%	11.60%	11.08%	11.77%	13.66%	13.22%	12.79%	
16.22%	16.52%	16.80%	16.07%	16.79%	15.53%	14.55%	
3.30	4.30	5.50	6.85	8.00	9.50	11.00	***
22.72%	22.70%	22.77%	22.68%	23.62%	23.51%	23.32%	
109.09	127.52	152.20	181.23	247.39	287.47	349.12	
469.17	519.85	625.35	748.80	1,022.70	1,071.15	1,442.55	
27.59	23.51	21.95	21.11	24.26	21.93	25.23	

HDFC BANK
We understand your world

BOARD OF DIRECTORS

Mrs. Shyamala Gopinath, *Chairperson*
Mr. A. N. Roy
Mr. Bobby Parikh
Mr. Partho Datta
Mr. Keki Mistry
Mrs. Renu Karnad
Mr. Malay Patel
Mr. Umesh Chandra Sarangi
Mr. Srikanth Nadhamuni
(Appointed as Additional Director w.e.f. September 20, 2016)
Mr. Aditya Puri, *Managing Director*
Mr. Paresh Sukthankar, *Deputy Managing Director*
Mr. Kaizad Bharucha, *Executive Director*

KEY MANAGERIAL PERSONS

Mr. Aditya Puri, *Managing Director*
Mr. Paresh Sukthankar, *Deputy Managing Director*
Mr. Kaizad Bharucha, *Executive Director*
Mr. Sashidhar Jagdishan, *Chief Financial Officer*
Mr. Sanjay Dongre, *Executive Vice President (Legal) & Company Secretary*

SENIOR MANAGEMENT TEAM

Mr. Abhay Aima
Mr. Ashish Parthasarthy
Mrs. Ashima Bhat
Mr. Ashok Khanna
Mr. Arvind Kapil
Mr. Aseem Dhru
Mr. Bhavesh Zaveri
Mr. Chakrapani Venkatachari
Mr. Dhiraj Relli *(on deputation to HDFC Securities Limited, the Bank's subsidiary)*
Mr. Jimmy M Tata
Mr. K Balasubramanian
Mr. Munish Mittal
Mr. Navin Puri
Mr. Neil Francisco
Mr. Nitin Chugh
Mr. Nitin Rao
Mr. Nirav Shah
Mr. Parag Rao
Mr. Philip Mathew
Mr. Rajender Sehgal
Mr. Rakesh K. Singh
Mr. Rajesh Kumar R
Mr. Ravi Narayanan

STATUTORY AUDITORS

Deloitte Haskins & Sells
Chartered Accountants

REGISTERED OFFICE

HDFC Bank House,
Senapati Bapat Marg,
Lower Parel,
Mumbai 400 013.
Tel: + 91 22 66521000
Fax: + 91 22 24960737
Website: www.hdfcbank.com

CORPORATE IDENTIFICATION NO

CIN - L65920MH1994PLC080618

REGISTRARS & TRANSFER AGENTS

Datamatics Financial Services Ltd
Plot No. B 5,
Part B Crosslane,
MIDC, Marol, Andheri (East),
Mumbai 400 093.
Tel: + 91 22 66712213-14
Fax: + 91 22 66712011
E-mail: hdinvestors@dfssl.com

23rd ANNUAL GENERAL MEETING

Date	:	July 24, 2017
Day	:	Monday
Time	:	2.30 p.m.
Place	:	Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020
Record date for determining eligibility of dividend	:	June 30, 2017 (both physical and electronic)

Contents

To the Members,

Introduction:

Your Directors take great pleasure in presenting the 23rd Annual Report on the business and operations of your Bank, together with the audited accounts for the year ended March 31, 2017.

The year under review has been extremely satisfying with your Bank witnessing an increase in asset size, revenues and profitability. What is more, it was able to manage the bad loans much better than the industry. The metric that best captures performance is the domestic loan growth which stood at about 23.7 per cent against the overall banking system loan growth of around 5 per cent. The other key performance indicators are Balance Sheet size (up 16.6 per cent), Total Deposits (up 17.8 per cent), Net Profit (up 18.3 per cent) and Net Interest Income (up 20.1 per cent). Cost to Income Ratio improved to 43.4 per cent. This assumes even more significance as it came in the face of demonetisation which led to growth pangs in the third quarter.

The performance is a reflection of the following:

1) Leveraging digitization to improve customer experience, productivity and Cost to Income Ratio

2) Consolidation of its lead over peers as India's top Digital Bank in metro, urban, semi urban and rural markets

3) Establishing itself as India's leading rural focused bank with unmatched reach, product range and innovation

4) Unique use of artificial intelligence and data analytics to sharpen product offering

It is also an outcome of a strong brand built on the twin engines of customer and community centricity. As you are aware, your Bank has been 'Creating Sustainable Communities' through its social initiatives which help people break out of the vicious circle of poverty and enable them to lead a better life. In pursuance of the Board mandate to make 1 crore families economically self-reliant, we are happy to report that 68 lakh families at the bottom of the pyramid have already been covered. We are also proud to state that during the year, your Bank has crossed the mandatory 2 per cent CSR spend.

Last but not the least, words cannot be enough to thank our employees who made all this possible. Especially during demonetisation when they were faced with chaos and crises by the day and went beyond the call of duty.

Summary of Financial Performance

(₹ crore)

Particulars	For the year ended / As on	
	March 31, 2017	March 31, 2016
Deposits and Other Borrowings	7,17,668.5	6,31,393.2
Advances	5,54,568.2	4,64,594
Total Income	81,602.5	70,973.2
Profit Before Depreciation and Tax	22,972.2	19,343.8
Profit After Tax	14,549.6	12,296.2
Profit Brought Forward	23,527.7	18,627.8
Total Profit Available for Appropriation	38,077.3	30,924
Appropriations		
Transfer to Statutory Reserve	3,637.4	3,074.1
Transfer to General Reserve	1,455	1,229.6
Transfer to Capital Reserve	313.4	222.2
Transfer to / (from) Investment Reserve	4.3	(8.5)
Proposed Dividend*	-	2,401.8
Tax (including cess) on Dividend*	-	488.9
Dividend (including tax / cess thereon) pertaining to previous year paid during the year, net of dividend tax credits	(1.7)	(11.7)
Balance carried over to Balance Sheet	32,668.9	23,527.6

**The Board of Directors, at the meeting held on April 21, 2017 has proposed a dividend of ₹ 11.00 per equity share aggregating ₹ 3,392.7 crore, inclusive of tax on dividend. The proposal is subject to the approval of shareholders at the Annual General Meeting. In terms of revised Accounting Standard (AS) 4-Contingencies and Events Occurring after the Balance Sheet date as notified by* *the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated proposed dividend from Statement of Profit and Loss for the year ended March 31, 2017. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of the Capital Adequacy Ratio as on March 31, 2017.*

The Bank's Total Income rose to ₹ 81,602.5 crore for the year under review from ₹ 70,973.2 crore in the previous year. Its Net Profit increased by 18.3 per cent to ₹ 14,549.7 crore from ₹ 12,296.2 crore.

Appropriations from Net Profit have been effected as per the table given above.

Dividend

Your Bank has a dividend policy that, *inter alia,* balances the objectives of appropriately rewarding shareholders and retaining capital in order to maintain a healthy Capital Adequacy Ratio. It has had a consistent track record of steady increase in dividend distribution over its history with the Dividend Pay-Out Ratio ranging between 20 to 25 per cent. The dividend policy of your Bank is available on the Bank's website at the following link: http://www.hdfcbank.com/htdocs/common/pdf/corporate/Dividend-Distribution-Policy.pdf Consistent with this policy and in recognition of the overall performance during the year under review, your Directors are pleased to recommend a dividend of ₹ 11 per equity share of ₹ 2 as against ₹ 9.50 in the previous year. As you are aware, this dividend shall be subject to tax to be paid by the Bank.

Ratings

Instrument	Rating	Rating Agency	Comments
Fixed Deposit Programme	CARE AAA (FD)	CARE Ratings	Instruments with this rating are considered to have very strong degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.
	IND Taaa	India Ratings	Instruments with this rating are considered to have very strong degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.
Certificate of Deposits Programme	CARE A1+	CARE Ratings	Instruments with this rating are considered to have very strong degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.
	IND A1+	India Ratings	Instruments with this rating are considered to have very strong degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.
Long Term Unsecured, Subordinated (Lower Tier 2) Bonds	CARE AAA	CARE Ratings	Instruments with this rating are considered to have very strong degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.
	IND AAA	India Ratings	Instruments with this rating are considered to have very strong degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.
Tier I Perpetual Bonds	CARE AAA	CARE Ratings	Instruments with this rating are considered to have very strong degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.
	CRISIL AAA	CRISIL	Instruments with this rating are considered to have very strong degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.
Upper Tier 2 Bonds	CARE AAA	CARE Ratings	Instruments with this rating are considered to have very strong degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.
	CRISIL AAA	CRISIL	Instruments with this rating are considered to have very strong degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

Infrastructure Bonds	CARE AAA	CARE Ratings	Instruments with this rating are considered to have very strong degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.
	CRISIL AAA	CRISIL	Instruments with this rating are considered to have very strong degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.
Tier I Bonds (Under Basel III)	CARE AA+	CARE Ratings	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.
	CRISIL AA+	CRISIL	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.
	IND AA+	India Ratings	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

Issuance of Equity Shares

During the year under review, 3,43,59,200 equity shares were allotted to the employees of your Bank in respect of the equity stock options exercised under the Employee Stock Option Schemes. As on March 31, 2017, the issued, paid up and authorised capital of your Bank stood at ₹ 512,50,91,434 comprising 256,25,45,717 equity shares of ₹ 2 each.

Employee Stock Options

The information pertaining to Employee Stock Options is given in **ANNEXURE 1** to this report.

Capital Adequacy Ratio

Your Bank's total Capital Adequacy Ratio (CAR) calculated in line with Basel III capital regulations stood at 14.6 per cent as on March 31, 2017, well above the regulatory minimum of 10.25 per cent including Capital Conservation Buffer of 1.25 per cent. Of this, Tier I CAR was 12.8 per cent. The effect of the proposed dividend has been taken into account in computing these ratios.

Subsidiary Companies

Your Bank has two subsidiaries, HDB Financial Services Limited (HDBFSL) and HDFC Securities Limited (HSL). The detailed financial performance of the companies is given below.

HDB Financial Services Limited

HDBFSL is a leading Non-Banking Financial Company that caters to segments not covered by the Bank through a network of 1,151 branches in 22 states and 3 Union Territories. Using both physical and digital channels, the company offers loan and asset finance products to individuals, emerging businesses, and micro enterprises across manufacturing, trading and services sectors. Additionally, the company provides Business Process Outsourcing (BPO) solutions to HDFC Bank.

In the year under review, HDBFSL's Net Interest Income grew by 41 per cent to ₹ 2,037.2 crore from ₹ 1,444.5 crore in the previous year. Net Profit rose 28 per cent to ₹ 684.2 crore from ₹ 534.4 crore.

HDBFSL is rated AAA for its long-term debt and A1+ for its short-term debt facilities by CARE & CRISIL respectively indicating the highest degree of safety regarding timely servicing of financial obligations.

Under the scheme of amalgamation approved by the Bombay and Gujarat High Courts, two associate companies, Atlas Documentary Facilitators Company Private Limited (ADFC) and HBL Global Private Limited (HBL) have been amalgamated with HDBFSL with effect from December 1, 2016. The appointed date of the merger was April 1, 2014. The scheme has accordingly been given effect to in these financial statements. HBL provided marketing and promotion services while ADFC was in the BPO business.

In the year under review, HDBFSL raised ₹ 1,099.4 crore through a rights issue. This resulted in a higher capital base and Capital Adequacy Ratio (CAR) of 20.8 per cent, well beyond the mandatory requirement of 15 per cent. The proceeds of this issue will be utilised for capital expenditure, working capital and business growth. As on March 31, 2017, your Bank held 96.2 per cent stake in the company.

HDFC Securities Limited

HDFC Securities Limited (HSL) is among India's largest retail broking firms offering its 18 lakh customers a large bouquet of services. The company had the second highest number of active (transacting) customers among all broking houses.

In the year under review, the capital markets surged on the back of a good monsoon, higher FII inflows, improved corporate performance and the passing of the Goods and Services Tax Bill. This is reflected in the company's performance.

HSL's Total Income grew by 37.7 per cent to ₹ 553.2 crore from ₹ 401.6 crore in the previous year. Net Profit grew by 61.9 per cent to ₹ 215.9 crore from ₹ 133.3 crore.

Digital channels remain a core focus with more than 20 per cent of customers transacting through the mobile app and overall 68 per cent of customers being serviced digitally. In line with its increased thrust on digitisation, HSL added 11 branches in the year under review as against 12 in the previous year. As on March 31, 2017, it had 273 branches.

During the year under review, HSL won three prestigious PFRDA Awards for National Pension Scheme (NPS), viz. Best Point of Presence (POP) All Citizen, Best POP NPS Corporate and Best POP NPS Private Sector. It was adjudged runner up in the Best e-Brokerage category at the Outlook Money Awards 2016.

As on March 31, 2017, your Bank held 97.9 per cent stake in HSL.

The annual reports of HDBFSL and HSL are available on the website of the Bank (www.hdfcbank.com). Shareholders who wish to have a copy of the annual accounts and detailed information may write to the Bank. These documents shall also be available for inspection by shareholders at the registered offices of the Bank and its two subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

Macroeconomic and Industry Developments

India's economy recorded a growth rate of 7.1 per cent in terms of real Gross Domestic Product (GDP) in 2016-17. While agriculture growth rose to 4.4 per cent in 2016-17 from 0.8 per cent in 2015-16, services sector growth declined to 7.9 per cent from 9.8 per cent during the same period. Inflation moderated, with the average level of Consumer Price Inflation declining to an estimated level of 4.6 per cent in 2016-17 from 4.9 per cent in 2015-16. Foreign Direct Investment inflows (FDI) increased by 12 per cent in the April–December period of 2016 over the corresponding period of the previous year.

A range of supply side measures, including prudent food stock management, appropriate monetary policy action and subdued global commodity prices led to the decline in inflation. Meanwhile, a close to normal monsoon, liberalisation of FDI rules and higher government capital expenditure supported domestic economic growth in 2016-17. While the cash-squeeze in the third quarter of the year under review had an impact on private consumption, there has been a speedy recovery in consumer demand since then.

Going forward, weakness in private investment cycle and asset quality strain in the banking sector could prevent a full-fledged recovery though some improvement in the growth rate is quite likely. Risks on the external front continue to loom on account of policy uncertainty in the US and a slew of impending elections in Europe.

The growth inflation mix should continue to remain broadly unchanged in 2017-18. Going by the Union Budget, the focus of fiscal policy in the coming year will be the revival of rural economy and sustained increase in capital expenditure. Besides, higher outlay on various social sector programmes and implementation of 7th Central Pay Commission Awards should boost consumer spending. Going forward, headline GDP growth is likely to increase to 7.5 per cent in 2017-18 from 7.1 per cent in 2016-17.

Mission, Business Strategy and Approach to Business

Your Bank's mission is to be a 'World Class Indian Bank', benchmarking itself against international standards and best practices in terms of product offerings, technology, service levels, risk management, audit and compliance. The objective is to continue building sound customer franchises across distinct businesses so as to be a preferred provider of banking services for its target retail and wholesale customer segments, and to achieve a healthy growth in profitability consistent with the Bank's risk appetite.

Your Bank's business philosophy has been based on 5 core values: Customer Focus, Operational Excellence, Product Leadership, People and Sustainability. Based on these cornerstones, it is your Bank's aim to build an Indian Bank that meets the financial needs of, and provides services of a high quality to its customers across the country. Your Bank is committed to do this while ensuring the highest levels of ethical standards, professional integrity, corporate governance and regulatory compliance. This is articulated through a well-documented Code of Conduct that every employee, including senior management, has to affirm annually that he/she will abide by.

Consistent with the mission and approach, your Bank's business strategy emphasises the following:

- Increase market share in India's expanding banking and financial services industry
- Increase geographical reach

- Cross-sell broad financial product portfolio across customer base
- Continue investments in technology to support digital strategy
- Maintain strong asset quality through disciplined credit risk management
- Maintain a low cost of funds

Financial Performance

The financial performance of your Bank during the year ended March 31, 2017 remained healthy with Total Net Revenues (Net Interest Income plus Other Income) increasing by 18.5 per cent to ₹ 45,435.7 crore from ₹ 38,343.2 crore in the previous year. Revenue growth was driven by an increase in both Net Interest Income and Other Income. Net Interest Income grew by 20.1 per cent due to acceleration in loan growth coupled with a core Net Interest Margin (NIM) of 4.3 per cent in the year ended March 31, 2017.

Other Income grew 14.4 per cent to ₹ 12,296.5 crore. The largest component was fees and commissions, which increased by 13.6 per cent to ₹ 8,812 crore. Foreign exchange and derivatives revenue was ₹ 1,263.4 crore, gain on revaluation and sale of investments was ₹ 1,139.4 crore and recoveries from written-off accounts was ₹ 864.3 crore in the year under review.

Operating (Non-Interest) Expenses increased to ₹ 19,703.3 crore from ₹ 16,979.7 crore. During the year under review, your Bank opened 195 new branches and 260 ATMs. This, along with strong growth in retail asset and card products resulted in higher infrastructure and staffing expenses. Staff expenses also increased on account of annual wage revisions. Despite the addition to the infrastructure, your Bank's Cost to Income Ratio improved to 43.4 per cent.

Total Provisions & Contingencies was ₹ 3,593.3 crore as compared to ₹ 2,725.6 crore. Your Bank's provisioning policies remain more stringent than regulatory requirements. The Coverage Ratio based on specific provisions alone excluding write-offs stood at around 69 per cent and including general and floating provisions around 130 per cent as on March 31, 2017. Your Bank made General Provisions of ₹ 392.2 crore during the year.

In the year under review, your Bank's Profit Before Tax grew by 18.8 per cent to ₹ 22,139.1 crore. After providing for Income Tax of ₹ 7,589.4 crore, the Net Profit increased by 18.3 per cent to ₹ 14,549.7 crore from ₹ 12,296.2 crore. Return on Average Net Worth was 18 per cent while the Basic Earnings Per Share was ₹ 57.2 up from ₹ 48.8.

As on March 31, 2017, your Bank's Total Balance Sheet stood at ₹ 8,63,840 crore, an increase of 16.6 per cent over ₹ 7,40,796 crore on March 31, 2016. Total Deposits increased by 17.8 per cent to ₹ 6,43,640 crore from ₹ 5,46,424 crore. This was after considering maturities of about US $ 3 billion of Foreign Currency Non-Resident (FCNR) deposits raised (and swapped into rupees with RBI at a concessional rate) during the year ended March 31, 2014. Current Account and Savings Account (CASA) Deposit growth witnessed a spurt during the year under review largely attributable to the demonetisation exercise.

Savings Account Deposits grew by 30.9 per cent to ₹ 1,93,579 crore while Current Account Deposits grew by 30.7 per cent to ₹ 1,15,574 crore. Time Deposits stood at ₹ 3,34,487 crore representing an increase of 7.9 per cent. CASA Deposits accounted for 48 per cent of the Total Deposits as against 43 per cent earlier. Advances stood at ₹ 5,54,568 crore, an increase of 19.4 per cent. This was after considering repayments during the year of about US $ 2 billion of overseas loans linked to FCNR deposits. The Bank's domestic loan portfolio of ₹ 5,38,642 crore grew by 23.7 per cent over March 31, 2016. The Bank had a share of 5.9 per cent in Total Domestic Deposits and 6.8 per cent in Total Domestic Advances. Its Credit Deposit (CD) Ratio stood at 86 per cent on March 31, 2017.

Business Segments Update

Retail Banking

Your Bank follows a multi-channel strategy to reach out to its customers bringing to them choice, convenience and a superior experience. Innovation has been the springboard of growth in this segment. So has a strong focus on analytics and Customer Relationship Management (CRM) which has helped the Bank know the customer better and offer tailor-made solutions. This leads to deeper customer engagement in a cost effective manner.

The growth in your Bank's retail banking business was robust during the year under review. Total Retail Deposits grew by 17.7 per cent to ₹ 5,06,843 crore on the back of a higher than usual CASA which, thanks to demonetisation, grew at 32.9 per cent.

Auto Loans, Personal Loans and Credit Cards accounted for a bulk of the retail business revenues. Your Bank is a leader in the Auto Loans segment with a strong presence in commercial vehicle and two wheeler financing.

The Bank's Retail Advances grew by 18.9 per cent to ₹ 2,95,161 crore.

During the year under review, your Bank added 195 branches taking its physical distribution network to 4,715 branches in 2,657 cities/towns. Number of ATMs increased to 12,260 from

12,000 during the same period. The Bank grew its customer base to 4.05 crore from 3.77 crore with a continued focus on semi-urban and rural markets that accounted for more than 52 per cent of its branches.

In Credit Cards, the Bank's focus on existing customers continued, who accounted for about 75 per cent of the new cards issued with the number of Point-of-Sale (PoS) terminals crossing 4.25 lakh. What is more, the transactions on these witnessed a sharp spurt in the third quarter due to demonetisation.

In addition to this, the Bank operates in the Home Loan business in conjunction with HDFC Limited. As per this arrangement, the former sells loans provided by the latter through its branches, while the latter approves and disburses it. The Bank receives sourcing fee for these loans and has the option to purchase up to 70 per cent of the fully disbursed loans either through the issue of mortgage backed Pass Through Certificates (PTCs) or by a direct assignment of loans. The balance is retained by HDFC Limited. Your Bank originated, on an average, ₹ 1,500 crore of Home Loans every month in the year under review. It also purchased loans worth ₹ 13,146 crore under the 'Loan Assignment' route during the year ended March 31, 2017.

Your Bank also distributes Life Insurance, General Insurance and Mutual Fund products through its tie-ups with insurance companies and mutual fund houses. Third Party Distribution Income contributed approximately 16 per cent of total fee income for the year ended March 31, 2017, compared to 14 per cent in the previous year.

Wholesale Banking

Like in retail, the Wholesale Banking business logged a strong growth ending the year under review with a loan book of about ₹ 2,63,000 crore constituting 47 per cent of the Bank's total book. It grew 20.1 per cent in the year under review catering to institutional customers like large and emerging corporates, and SMEs. Government business is another major contributor. The breadth of offering includes Working Capital and Term Loans as well as Trade, Cash Management, Foreign Exchange and Investment Banking services.

Growth came primarily on the back of impeccable execution of your Bank's time-tested strategy of offering customers a wide range of products and services, customisation and cross selling. Dedicated Relationship Managers helped in the customisation and cross selling process. Technology further aided to improve the customer experience. All this led to higher share of customer wallet.

Corporate Banking, which focuses on large and well rated companies was the biggest contributor with its asset size growing by over 20 per cent to cross ₹ 1,25,000 crore in the year under review. This growth was achieved, in an otherwise subdued credit environment, through securing a higher share of the customer wallet, addition of new clients, introduction of differentiated product offerings in the market place and gaining market share from competition. It pioneered in creating products and services to match the changing market dynamics and customer behaviour.

Emerging Corporates Group, which focuses on the mid-market segment, recorded a 34 per cent growth in asset size to cross ₹ 65,000 crore on March 31, 2017. The strength of this business lies in its diversified portfolio in terms of both industry and geography. Its success was due to its ability to acquire a higher share of wallet from existing clients as well as securing new ones on the strength of a strong product offering plus a solution based approach.

The **Investment Banking** business cemented its prominent position in Debt Capital Markets. A testimony to this is the Bloomberg rankings of INR Bond book runners where your Bank was placed 2nd for two consecutive years.

In **Government** business, your Bank's focus on tax collections continued to gather pace. In the year under review, the direct tax collected by your Bank was about ₹ 2.16 lakh crore and indirect tax ₹ 1.19 lakh crore. Apart from the several state Governments for which your Bank has been collecting taxes/duties, the Bank has also been authorised to collect GST. Your Bank continues to enjoy its eminent position in both **Cash Management Services** (CMS) and **Cash Settlement Services** for major stock and commodity exchanges in the country.

In line with the Bank's drive towards digitisation, it has further ensured a larger conversion of cash payments into electronic ones. The 'Trade-on-Net' offering which provides customers access to a host of services like Remittances, Letters of Credit and Guarantees gained even greater acceptance.

International Operations

Your Bank currently has branches at three locations outside India. These are at Bahrain, Hong Kong and Dubai International Finance Centre (DIFC) in Dubai. The DIFC branch offers advisory services to High Net Worth Individuals and Corporates. Your Bank also has Representative Offices in Abu Dhabi, Dubai and Nairobi which are engaged in promotional and marketing activities of the Bank's brand name among the Non-Resident Indians. As on March 31, 2017, the combined balance sheet size of overseas branches was around US $ 4 billion. Advances at these branches constituted close to 4 per cent of the Bank's gross advances as on March 31, 2017. The total income of the overseas branches constituted over 1.2 per cent of the Bank's total income for the year.

Your Bank had mobilised US $ 3.4 billion in special FCNR (B) deposits from NRI clients under RBI swap window in 2013. As a major portion of these deposits were for a 3-year tenor, they came up for redemption during September-November 2016. US $ 3.02 billion of these flowed out and US $ 355.67 million was outstanding for the year ended March 31, 2017.

Treasury

The Treasury Group is responsible for compliance with reserve requirements and management of liquidity and interest rate risk on the Bank's balance sheet. On the foreign exchange and derivatives front, revenues accrue from spreads on customer transactions based on trade flows and their demonstrated hedging needs. Your Bank recorded revenues of ₹ 1,263.4 crore from foreign exchange and derivative transactions in the year under review. These revenues were distributed across large and emerging corporates, business banking and retail customer segments for plain vanilla foreign exchange products and across primarily large and emerging corporate segments for derivatives. The Bank offers Indian Rupee and foreign exchange derivative products to its customers, who use them to hedge their market risks.

Your Bank enters into foreign exchange and derivative deals with counterparties after it has set up appropriate counterparty credit limits based on its evaluation of the ability of the counterparty to meet its obligations in the event of crystallisation of the exposure. Appropriate credit covenants may be stipulated where required as trigger events to call for collaterals or terminate a transaction and contain the risk. Where the Bank enters into foreign currency derivative contracts not involving the Indian Rupee with its customers, it lays them off in the inter-Bank market on a matched basis. For such foreign currency derivatives, the Bank primarily carries the counterparty credit risk (where the customer has crystallised payables or mark-to-market losses). The Bank also deals in derivatives on its own account, including for the purpose of its own balance sheet risk management.

Given the regulatory requirement of holding government securities to meet the Statutory Liquidity Ratio (SLR) requirement, your Bank maintains a portfolio of Government Securities. While a significant portion of these SLR securities are held in the 'Held-to-Maturity' (HTM) category, some of these are held in the 'Available for Sale' (AFS) category. Your Bank is also a Primary Dealer for Government Securities. As a part of this business, as well as otherwise, the Bank holds fixed income securities in the 'Held for Trading' (HFT) category.

Implementation of Indian Accounting Standards (IND-AS)

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for implementation of Indian Accounting Standards (IND-AS) for scheduled commercial banks, insurers/insurance companies and non-banking financial companies. This roadmap requires these institutions to prepare IND-AS based financial statements for the accounting periods beginning from April 1, 2018 onwards with comparatives for the periods beginning April 1, 2017 and thereafter. The Reserve Bank of India (RBI), vide its circular dated February 11, 2016 requires all scheduled commercial banks to comply with the Indian Accounting Standards (IND-AS) for financial statements for the periods stated above. RBI does not permit banks to adopt IND-AS earlier than the timelines stated above. The said guidelines also state that RBI shall issue necessary instructions/ guidance/clarifications on the relevant aspects for implementation of IND-AS as and when required.

Your Bank has formed a steering committee comprising members from cross-functional areas for the purpose of implementation oversight. Under the guidance of the steering committee, the Bank has formed working groups, including external consultants, dedicated to specific functional areas. The objective of these working groups is to undertake a review of the diagnostic analysis of the differences between the current accounting framework and IND-AS, review the accounting policy options provided under IND-AS 101-First Time Adoption, determine the methodologies for each accounting treatment, finalise process and system changes, review and update policies and incorporate in business planning any specific action points over the transition period. In addition, the Audit Committee of the Board of Directors oversees the progress of the IND-AS implementation process.

The Bank has undertaken a diagnostic analysis of the differences between the current accounting framework and IND-AS, including the disclosure requirements.The Bank is currently in the process of finalising its accounting policies under IND-AS. The Bank has evaluated the systems requiring significant changes and identified additional system and process requirements for implementation of IND-AS. The Bank is engaging with vendors for technology solutions for implementation of IND-AS. The Bank undertakes training programs for its personnel in business and support functions.

The implementation of IND-AS is expected to result in significant changes to the way the Bank prepares and presents its financial statements. The areas that are expected to have significant accounting impact on the application of IND-AS are summarised below:

a) Financial assets (which include advances and investments) shall be classified under amortised cost, fair value through other comprehensive income (a component of Reserves and Surplus) or fair value through profit/loss categories on the basis of the nature of the cash flows and the intention of holding the financial assets.

b) Interest will be recognised in the income statement using the effective interest method, whereby the coupon, fees net of transaction costs and all other premiums or discounts will be amortised over the life of the financial instrument.

c) Stock options will be required to be fair valued on the date of grant and be recognised as staff expense in the income statement over the vesting period of the stock options.

d) The impairment requirements of IND-AS 109, Financial Instruments, are based on an Expected Credit Loss (ECL) model that replaces the incurred loss model under the extant framework. The Bank will be generally required to recognise either a 12-Month or Lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. IND-AS 109 will change the Bank's current methodology for calculating the provision for standard assets and non-performing assets (NPAs). The Bank will be required to apply a three-stage approach to measure ECL on financial instruments accounted for at amortised cost or fair value through other comprehensive income. Financial assets will migrate through the following three stages based on the changes in credit quality since initial recognition:

Stage 1: 12 Months ECL

For exposures which have not been assessed as credit-impaired or where there has not been a significant increase in credit risk since initial recognition, the portion of the ECL associated with the probability of default events occurring within the next twelve months will need to be recognised.

Stage 2: Lifetime ECL-Not Credit Impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL will need to be recognised.

Stage 3: Lifetime ECL- Credit Impaired

Financial assets will be assessed as credit impaired when one or more events having a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will need to be recognised.

Interest revenue will be recognised at the original effective interest rate applied on the gross carrying amount for assets falling under stages 1 and 2 and on written down amount for the assets falling under stage 3.

e) Accounting impact on the application of IND-AS at the transition date shall be recognised in Equity (Reserves and Surplus).

Information Technology

A pioneer in digital banking among private banks in India, your Bank has a following firsts to its credit:

- Centralized Core Banking System
- Enterprise data warehouse
- Online real time centralised ATM switch
- Debit cards
- Analytical CRM system for direct marketing
- Solution to check retail loan application fraud
- Mobile banking app
- SMS based mobile commerce

The list has only been growing. The recent ones being the '10 Second Loan' and 'Digital Loan Against Securities' (Digital LAS). Technology has enabled your Bank to improve process and system efficiencies, scale up and offer customer convenience across the country. To address the infrastructure limitations in deep geographies, branches and ATMs have been commissioned using both fixed line and mobile broadband telecom networks. Bandwidth acceleration and compression technology has been implemented to improve telecom network speeds in rural/semi urban branches. QuickBanking, a mobile app catering to the off-line Internet has been further enhanced this year to incorporate Unified Payment Interface (UPI) which rides on the USSD 2.0 platform of National Payments Corporation of India and enables fund transfer to beneficiaries across banks on a 24*7 basis.

Cyber Security

Your Bank has set up an effective governance framework to manage cyber security. A suitable organisational structure has been put in place to monitor various cyber security threats and minimize them. In order to protect critical assets from cyber attacks, the Cyber Security Operations Center (SoC) operates on a 24*7 basis. In the year under review, your Bank further enhanced SoC to manage, respond and resolve cyber security incidents in an effective/timely manner.

Further your Bank conducts:

- Regular vulnerability assessments and penetration tests to assess/ remedy vulnerabilities in applications and IT infrastructure
- Anti-phishing services have been subscribed to ensure that the phishing sites are shutdown in a timely manner and customers prevented from being lured to fraudulent sites
- Risk engine and transaction monitoring systems are implemented to monitor suspicious transactions on Internet Banking, ATM and e-commerce channels
- Humans being the weakest link in cyber security, your Bank has been carrying out continuous awareness among employees and customers
- The critical websites of the Bank are scanned and monitored continuously for early detection of any malware

A testimony to the Bank's crisis preparedness is that it has secured PCI DSS 3.0 certification and ISO 27001 certification for its critical information assets. Its efforts have been further recognized through awards from IDRBT, DSCI-NASSCOM for various cyber security initiatives.

Particularly in the year under review, your Bank made significant investments in strengthening protection against Distributed Denial of Service (DDoS) attacks and Web Application Firewall (WAF). Various simulation exercises were carried out to learn from techniques like ethical hacking and smoke screen & decoy testing. The Bank also participated in IDBRT's cyber security drills to identify weak links and strengthen defence. It will continue to invest further in the coming years in the areas of cyber security to take it to the next level.

During the year under review, it implemented a 3-way disaster recovery solution for its Core Banking platform. This ensured that Core Banking Systems went without any prolonged outage. In addition, your Bank has a well-rehearsed disaster recovery set-up, so as to ensure 99.5 per cent up-time of important applications.

Service Quality Initiatives

A regular process of reviewing the service levels and capturing feedback from customers is undertaken for continuous improvement in product, processes and services. The multi-channel strategy of the Bank necessitates real-time monitoring of customer experience, securing feedback and response. This process is critical as the customer can now access the Bank's services across traditional touchpoints like branches, ATMs as well as the digital ones like the Internet and Mobile. Your Bank has therefore augmented the training and skill development mechanism to empower and equip employees to deliver improved quality of customer service, as well as put in place a more stringent grievance monitoring and redressal mechanism. Mystery shopping activities using decoy customers are also undertaken across branches and retail asset centres to continuously evaluate regulatory compliance, process adherence and quality of service delivery to customers. The findings are worked upon using Lean and Six Sigma methodologies to bring in process improvements. The effectiveness of these measures is reviewed periodically at different levels including the Customer Service Committee of the Board. In addition to the aforementioned measures, in compliance with regulatory guidelines, your Bank has appointed a senior retired banker as Internal Ombudsman.

As a result of the continued focus on customer service, your Bank has received written appreciation from many Banking Ombudsmen appointed by Reserve Bank of India across locations such as Andhra Pradesh, Chhattisgarh, Goa, Gujarat, Himachal Pradesh, Kerala, Lakshadweep, Madhya Pradesh, Maharashtra, Odisha, Puducherry, Punjab, Sikkim, Tamil Nadu and West Bengal.

Risk Management and Portfolio Quality

The Bank is exposed to risk by the very nature of its business. These can be classified as:

- Credit Risk including Residual Risks
- Credit Concentration Risk
- Market Risk
- Business Risk
- Operational Risk
- Strategic Risk
- Interest Rate Risk in the Banking Book
- Compliance Risk
- Liquidity Risk
- Reputation Risk
- Intraday Risk
- Model Risk
- Technology Risk

- Counterparty Credit Risk
- Outsourcing Risk
- Group Risk (covering HDBFSL and HSL)

These material risks are factored in while determining the capital requirements. The most important of these are Credit Risk, Market Risk, Liquidity Risk and Operational Risk which are explained below. Identifying, measuring, monitoring and managing these are critical to balancing the risk-return trade off and determining the ultimate success of the Bank.

Your Bank has a Board approved risk strategy and policy in place. The implementation of this well-defined policy is supervised by the Risk Policy and Monitoring Committee of the Board. The committee periodically reviews risk level and direction, portfolio composition, status of impaired credits as well as limits for treasury operations.

Credit Risk

The Bank has a comprehensive centralised risk management function, independent of the operations and business units of the Bank. Distinct policies, processes and systems are in place for the Retail and Wholesale Lending businesses. In the Retail Loan business, the credit cycle is managed through appropriate front-end credit, operational and collection processes. For each product, programmes defining customer segments, underwriting standards and security structure are specified to ensure consistency of credit buying patterns. Given the granularity of individual exposures, retail credit risk is monitored largely on a portfolio basis, across various products and customer segments. For wholesale credit exposures, management of credit risk is done through target market definition, appropriate credit approval processes, ongoing post-disbursement monitoring and remedial management procedures. Overall portfolio diversification, prudential ceilings across various dimensions (individual/ borrower group, industry, credit risk rating grades and country), product mix, security structures and periodic as well as proactive reviews facilitate risk mitigation and management.

The asset quality of the Indian banking industry continued to be under severe pressure due to macroeconomic factors as well as sector specific issues. The banking industry on an overall basis saw a sharp increase in stress and non-performing assets. Your Bank did not witness any significant deterioration in overall asset quality and continues to maintain the highest standards of governance in respect of recognition and provisioning of non-performing loans.

As on March 31, 2017, your Bank's ratio of Gross Non-Performing Assets (NPAs) to gross advances was 1.05 per cent. Net Non-Performing Assets (Gross Non-Performing Assets less Specific Loan Loss provisions) was 0.3 per cent of Net Advances as on March 31, 2017. Total restructured assets (including applications under process for restructuring) was 0.06 per cent of gross advances as on March 31, 2017. As a matter of abundant caution, the Bank provides more than regulatory requirements for its NPAs while adhering to regulatory norms for the provision of Standard Assets.

Market Risk

This arises out of the Bank's trading portfolio and is managed through a well-defined Board approved investment policy which caps exposures to various securities through stringent trading risk limits/triggers. These include position limits, gap limits, tenor restrictions, sensitivity limits viz. PV01, Modified Duration of Hold To Maturity Portfolio and Option Greeks, Value-at-Risk (VaR) Limit, Stop Loss Trigger Level (SLTL) and Potential Loss Trigger Level (PLTL). This is backed up further by a Board approved stress testing policy and framework which simulates various market risk scenarios in order to measure losses and initiate control measures.

Liquidity Risk

The framework for liquidity and interest rate risk management is established in the Bank's Asset Liquidity-Management policy which is in line with regulatory requirements. Your Bank has established various Board approved limits like maturity gap limits and limits on stock ratios for liquidity risk and limits on income impact and market value impact for interest rate risk. Your Bank's Asset Liability Committee (ALCO) is responsible for adherence to liquidity risk and interest rate risk limits. Additionally, your Bank has a comprehensive Board approved stress testing programme covering liquidity and interest rate risk which is aligned with the regulatory guidelines. The Liquidity Coverage Ratio (LCR) is a global minimum standard for Bank liquidity. The ratio aims to ensure that a bank has an adequate stock of unencumbered High-Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs for a 30-day calendar liquidity stress scenario. In June 2014, RBI released Basel III Framework on Liquidity Standards- Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards. Based on the guidelines, LCR became effective on January 1, 2015.

The minimum requirement for the ratio was 80 per cent on January 1, 2017. This was to increase by 10 percentage points every year to touch 100 per cent on January 1, 2019. The Bank's average LCR was in excess of this stipulation and was 99.52 per cent on a consolidated basis for the quarter ended March 31, 2017.

In accordance with RBI's guidelines, the Bank is currently on the Standardized Approach for Credit as well as Market Risk and the Basic Indicator Approach for Operational Risk. It is at the same time progressing towards migrating to an advanced approach for these risks when permitted by the regulator. The Bank has a structured management framework in the Internal Capital Adequacy Assessment Process (ICAAP) for the identification and evaluation of the significance of all risks that the Bank faces, which may have a material adverse impact on its business and financial position and the adequacy of capital to cover these risks.

Its Board approved Stress Testing Policy and Framework entails the use of various techniques to assess potential vulnerability to extreme but plausible stressed business conditions. The changes in the levels of various risks and the changes in the on and off balance sheet positions of the Bank are assessed under such assumed scenarios and sensitivity factors which generally relate to the impact on its profitability and capital adequacy.

Operational Risk

A Board approved Operational Risk Management Framework has been put in place which is implemented by a dedicated team within the Risk Management function. A bottom up risk control self-assessment process identifies high risk areas, potential gaps and serves as an early warning system so that remedial measures can be initiated in a timely manner.

Internal Controls, Audit and Compliance

Your Bank has Internal Audit and Compliance functions which are responsible for independently evaluating the adequacy of all internal controls and ensuring operating and business units adhere to internal processes and procedures as well as to regulatory and legal requirements. The audit function also proactively recommends improvements in operational processes and service quality. To mitigate operational risks, the Bank has put in place extensive internal controls including audit trails, appropriate segregation of front and back office operations, post transaction monitoring processes at the back end to ensure independent checks and balances, adherence to the laid down policies and procedures of the Bank and to all applicable regulatory guidelines. The internal audit function also carries out management self-assessment of adequacy of the Bank's internal financial controls and operating effectiveness of such controls in terms of Sarbanes Oxley (SOX) Act and Companies Act, 2013. Your Bank has always adhered to the highest standards of compliance and governance and has put in place controls and an appropriate structure to ensure this. To ensure independence, the internal audit function has a reporting line to the Chairman of the Audit Committee of the Board and only a dotted line reporting to the Managing Director. The Audit Committee of the Board also reviews the performance of the audit and compliance functions and reviews the effectiveness of controls and compliance with regulatory guidelines.

Corporate Social Responsibility (CSR)-Creating Sustainable Communities

'Creating Sustainable Communities' is the underlying philosophy that drives your Bank's CSR initiatives and it springs from one of its Core Values: Sustainability. The objective is to enable families break the vicious circle of poverty and draw them into a cycle of growth, development and empowerment without disturbing the ecological balance.

Your Bank is committed to identifying and supporting outreach programmes aimed at developing and advancing the community in this manner. The Bank works through partnerships with Non-Governmental Organisations (NGOs) as well as directly through its various businesses to create social value through its products and services.

Your Bank's Holistic Rural Development Programme (HRDP) is its flagship CSR initiative. This programme aims to improve the economic and social conditions of the villages where it operates. The focus areas of HRDP are Promoting Education; Skills Training and Livelihood Enhancement; Natural Resources Management; Healthcare and Hygiene; Financial Literacy and Inclusion. Under the programme, the Bank is working in over 500 villages across 14 states in the country.

Promoting Education

Your Bank's education programmes are structured to create a conducive and effective learning environment in schools. This includes providing basic infrastructure, teacher training, learning improvements, scholarships and career guidance programmes. The programmes are spread across a wide geography and close to 900 schools are being covered.

The distinctiveness of these programmes is the focus on improving the skills of teachers, which in turn benefits the students. More than 65,000 students have benefitted through these programmes.

Through the Zero Investment Innovation for Educational Initiatives (ZIIEI), your Bank has reached out to more than 5.5 lakh school teachers. ZIIEI is a unique platform to implement best practices in education across more than 75,000 schools in Uttar Pradesh. The project has been executed jointly with a leading NGO for the state government.

Skills Training and Livelihood Enhancement

To create a sustainable community, your Bank believes that people must have a steady source of income which will contribute to a thriving economy. To this end, the Bank provides skills training and development to enable beneficiaries to earn a living, with a special focus on women and youth. Your Bank addresses this need through multiple projects ranging from competency-based skill-oriented training and placement, capacity building, promoting entrepreneurial activities and upskilling for agricultural and allied practices. These initiatives are tailor-made programmes that focus on addressing the specific needs of a community.

Nearly 16,000 individuals have benefited through the Bank's efforts in skills based training. It has supported more than 1,100 individuals to become entrepreneurs. The projects are spread across varied geographies from Jammu & Kashmir in the North, Meghalaya in the North East, Tamil Nadu in the South to Gujarat in the West. One of the projects to provide job-based skills training in Uttar Pradesh, has benefitted more than 5,000 individuals.

Natural Resource Management

While working on issues such as livelihood and water, your Bank makes a concerted effort towards managing local natural resources. The multi-focused interventions include the areas of soil and water conservation, water management, construction, renovation and maintenance of water harvesting structures for improving surface and ground water availability as well as for promoting organic fertilisers and renewable energy.

Your Bank has planted more than 67,000 trees, with the twin objectives of developing horticulture and ensuring top soil retention for better agriculture yield. A little over 3,800 acres of agricultural land has been treated for enhanced agricultural produce. In order to provide proper irrigation support more than 200 water harvesting structures have been constructed or renovated. Crop diversification has been carried out in over 840 acres for higher output as well as enriched fertility of the soil.

Healthcare & Hygiene

Your Bank promotes the cause of good hygiene and sanitation practices in the community. Towards this end, the Bank supports construction of toilets and provision of clean drinking water facilities. Close to 7,500 households and 900 schools in rural India have been covered under the toilet programme so far. A primary healthcare centre was set up in the flood affected regions of Uttarakhand, which benefited around 50,000 people.

Financial Literacy

Financial literacy is the first step towards real financial inclusion. With this belief, the Bank conducts financial literacy workshops for communities to enable them to make smart financial decisions and sustain themselves. These workshops are executed through the Bank's business units as well as its NGO partners.

Dhanchayat, is the Bank's financial literacy programme on wheels and this has been running successfully, making more and more people in the rural areas aware of the perils of informal banking. Your Bank also disseminates information on general banking, credit counselling and digital banking across a wider society such as schools, colleges, pensioners and senior citizens.

Over 40 lakh households have benefited from the Bank's financial literacy drive.

Financial Inclusion

Your Bank is fully committed to digital transactions and the recent push given to it by the Union Government. It now offers last mile access through mobile applications like BHIM, UPI, USSD, Scan & Pay as well as Aadhaar and RuPay enabled Micro-ATMs.

In another ongoing effort to bring more of the under-banked sections of the population into formal financial channels, your Bank has opened over 17 lakh accounts under the *Pradhan Mantri Jan Dhan Yojana* (PMJDY) and enrolled over 26 lakh customers in social security schemes since inception. It now ranks among the leading private sector banks in this regard. Loans to the tune of ₹ 5,522.5 crore were extended under the *Pradhan Mantri Mudra Yojana* (PMMY) and nearly ₹ 143.5 crore under the 'Stand Up India' scheme to Scheduled Caste/Scheduled Tribe women borrowers in the year under review.

Environment Sustainability

Maintaining a balance between the natural capital and communities is now integral to the Bank's functioning. Towards this end, your Bank's ATMs have gone paperless, enabling reduction of carbon footprint. The Bank has given this effort a further fillip by ensuring multi-channel delivery through NetBanking, PhoneBanking and MobileBanking. This reduces carbon emission from operations as well as on account of reduced customer travel requirements. Another source for reducing the environmental footprint is solar ATMs. These use rechargeable Lithium Ion batteries that reduce power consumption.

Blood Donation Campaign

The year 2016 was a milestone year for the campaign for two reasons. One, it was its 10th year. Two, it witnessed record participation in terms of cities, camps and colleges resulting in over 1.7 lakh blood units being collected from more than 2 lakh people. The tie up with corporate and defence establishments to organise camps at their premises also helped in the unprecedented collection.

Sustainable Livelihood Initiative (SLI)

Your Bank's Sustainable Livelihood Initiative (SLI) is about 'Creating Sustainable Communities' by empowering people, and helping them break the vicious circle of poverty. The Bank takes immense pride in stating that through its Board mandated SLI, it has made a difference in the lives of lakhs of women at the bottom of the pyramid by creating long-term sustainable solutions rather than just providing short-term relief.

The basic premise of the SLI model is that empowering women means empowering families. Women participants form Self Help Groups (SHGs) or Joint Liability Groups (JLGs) that are nurtured by the Bank's employees. The approach under SLI covers occupational skills training, financial literacy, credit counselling, livelihood finance and market linkage. Today, SLI is harnessing the collective power of women's groups to make an impact in village communities by implementing health and sanitation programmes.

Apart from the holistic approach, what makes this programme one-of-its-kind in the world is its scale. Sample this; 8,000 dedicated bank employees working with millions of people at the bottom of the pyramid in trying conditions driven purely by a passion to transform lives.

The SLI programme is being accelerated further through digitisation notwithstanding hurdles like poor awareness and telecom infrastructure. These are being overcome by using platforms like USSD which work on feature phones. Furthermore, to facilitate card-based transactions, the Bank has installed PoS machines in more than 200 villages.

At the end of the year under review, 68 lakh households in 25 states were covered through this programme. These include Assam, Bihar, Chhattisgarh, Meghalaya, Madhya Pradesh, Odisha, Rajasthan, Sikkim, Tripura, Uttar Pradesh and Uttarakhand.

The disclosures pertaining to CSR as required under Rule 8 of the Companies (Accounts) Rules, 2014 have been given in **ANNEXURE 2** to this report.

Agriculture & Allied Activities

Your Bank's credit to Agriculture & Allied activities stood at ₹ 77,921 crore on March 31, 2017 representing an increase of about 17 per cent over the March 31, 2016 figure of ₹ 66,890.4 crore.

With about half of India's population living on agriculture, this is an important business segment for the Bank. The suite of products offered include the Kisan Gold Card, Tractor and Cattle Loans. Apart from loans directly linked to agriculture, the Bank offers other credit products such as two-wheeler loans, car loans, loans against gold jewellery and mortgage loans.

The Kisan Gold Card is now being offered in 60,000 villages. Your Bank has designed a range of crop and geography specific products keeping in mind the harvest cycles and local needs of farmers spread across diverse agro climatic zones. Credit is targeted at allied agricultural activities like dairy, pisciculture and sericulture through specific products.

Using technology, your Bank is able to deliver some loans within three working days in select geographies, and loan enhancements in a few seconds through ATMs or mobile phones. The Bank also enables faster cash flows to the farmer through products like post-harvest Cash Credit and Warehouse Receipt Financing.

HDFC Bank's focus in the rural markets has not just been on increasing credit off-take but also on cementing relationships with customers by empowering them. As a part of these efforts, 11 *Kisan Dhan Vikas Kendras* have been rolled out across Punjab, Maharashtra, Uttar Pradesh and Madhya Pradesh where farmers secure information on soil health, mandi prices, various government initiatives and expert advice. These services are also available on the Bank's website in vernacular languages. Advisories on weather, cropping and harvesting are also shared through SMS.

Milk-to-Money (MTM)

The Bank's MTM footprint (including Micro ATMs) crossed the landmark of 1,000 in the year under review. Approximately 3.17 lakh farmers are covered across 16 states including Gujarat, Maharashtra, Punjab and Rajasthan. Farmers receive Direct Benefit Transfers from the Government in the same account.

Under this initiative, Multi-function Terminals (MFTs), popularly known as Milk-to-Money ATMs, are deployed in dairy societies. The MFTs link the milk procurement system of the dairy society to the farmers' account to enable faster payments. MFTs have cash dispensers that function as standard ATMs. The transparency in the milk collection process benefits both farmers and society. Payments are credited without the difficulties associated with the cash distribution process. What is more, this creates a credit history which can then be used as the basis for accessing bank credit. Apart from the Dairy and Cattle Loans, customers gain access to all bank products including digital offerings such as 10 Second Personal Loans, Kisan Credit Card, Bill Pay and Missed Call Mobile Recharge.

Loans against Gold Jewellery

As on March 31, 2017, Loans against Gold Jewellery stood at ₹ 4,800 crore as against ₹ 4,531 crore on March 31, 2016.

Banks have started making inroads in a market traditionally dominated by the unorganised sector and pawn brokers. The entry of such players has resulted in increased awareness, and at the same time provided greater transparency by substituting the money lenders. The availability of the asset and the ease of securing a loan have made this a convenient and viable credit option.

Micro, Small and Medium Enterprises (MSME)

The year under review has been a challenging but defining one for the MSME business. Demonetisation was a temporary setback for a business whose customers traditionally transact in cash. Your Bank was able to overcome this in the last quarter. The Bank's advances to MSMEs grew by 14.4 per cent to touch ₹ 85,166.6 crore on March 31, 2017 from ₹ 74,657.3 crore on March 31, 2016.

Demonetisation and the advent of the next-generation of entrepreneurs has seen a steady shift towards digital transactions. In what could be a potential game changer for the business, the Bank launched a complete online solution-the '*SM@Bank*'. Through this, customers can access-credit facility information, request adhoc/temporary overdraft facilities, ask for new facilities and submit documents to the Bank for straight through processing on a 24*7 basis. This gained significant traction in the very first year and is now poised to gain further momentum.

Within this segment, the Bank continued its approach of targeting the manufacturing, retailing, wholesale, trading, and services sectors.

Innovation

Your Bank has embarked on a 'Mobile First' digital strategy that builds on the last two decades of investment in technology. This strategy enables your Bank to offer an entire spectrum of banking products which can now be accessed not only on high-end smart phones and tablets, but also on feature phones that require little or no Internet connectivity.

As you are aware, digital innovation has been the prime driver across businesses for the last two years. It has got further impetus with emphasis on artificial intelligence, chatbots and machine learning enabling your Bank to offer a superior customer experience.

The Bank hosted the 2nd Digital Innovation Summit in February 2017 to tap into the fin-tech and start-up ecosystem and harness the emerging technological trends. In the 2nd Digital Innovation Summit, the Bank invited entries in rural fin-tech category as well along with submissions in other categories. Five companies have been chosen as winners, whose solutions the Bank is evaluating for potential application. These companies are in Artificial Intelligence, Marketing, Mobile Payments, Quality Assurance and Biometric Payments domains with special focus on solutions that will help semi-urban and rural customers.

Some of the major digital innovations introduced in the year ended March 31, 2017 are:

- **Interactive Humanoid '*IRA*':** HDFC Bank now has a humanoid, IRA, which is a technology demonstrator in the field of artificial intelligence and robotics. It can support customer service.
- **HDFC Bank's Virtual Assistant '*EVA*':** An Artificial Intelligence based customer service chatbot deployed on your Bank's website that responds to customer queries and provides product information.
- **HDFC Bank OnChat:** Your Bank has forayed into social media banking to reach out to the millennial customers. At present, customers and non-customers can complete e-commerce transactions on Facebook Messenger.
- **Expense Tracker:** This personal financial management tool gives customers a snapshot of their income, expenses, and investments and helps them secure control over their finances. This enhancement in your Bank's MobileBanking app has received encouraging customer response.
- Other innovations like PayZapp, SmartBuy and the 10 second personal loan continued to gather momentum in the year under review.

People

Your Bank believes that the key to building an organization is People. The philosophy of the Bank can be summarised as: Hiring right talent and retaining them by creating a conducive environment through a combination of financial and non-financial incentives. Besides innovation, the organization also fosters a culture of empowerment and ownership. This paid-off during demonetisation, when our employees went well beyond the call-of-duty to make customers comfortable. In an extremely chaotic environment with crises erupting by the day, they came up with creative solutions.

To reiterate the five broad pillars of HDFC Bank's People Strategy are:

- **Resourcing and Hiring:** In an industry where agility in talent acquisition and deployment is key to geographic expansion and growth, your Bank has leveraged online recruitment along with other channels like job-ready model to develop reach and quality of hires. It has created a strong leadership pipeline across levels by identifying the right talent internally and grooming them for challenging roles. This has resulted in an 84,000 plus work force that is well motivated and trained to deliver value to the customer. Increased digitisation, improved process efficiencies and rebalancing capacities over the years has led to a small decrease in the employee base.

- **Career Management:** Your Bank's talent management processes create opportunities for employees to develop and grow. The systematic investment of time in career discussion with employees, competency assessment and intensive functional as well as behavioural training through the Gurukul programmes reiterate the Bank's commitment to employees on career progression.

- **Employee Engagement:** The Bank has nurtured an enabling performance culture in line with its vision to be a `World Class Indian Bank'. The Performance Management System aligns organization goals with key objectives for each business. Role-based scorecards at the employee level coupled with managerial feedback provide clarity and support to help employees excel.

  In addition, your Bank strives to strengthen its connect with employees. The Bank conducted an employee survey to understand various aspects of their experience and followed through with appropriate interventions spanning from the local to pan-Bank level. The Bank also conducts several employee engagement events, both at local and national levels.

  - **Josh Unlimited:** Pan-India Sports event conducted in 27 cities
  - **Stepathlon:** An Employee Wellness initiative that saw the participation rise by 1,000 to about 3,500
  - ***Hunar*:** Pan-India in-house talent competition
  - **Corporate Online Library:** A knowledge resource available to all employees for accessing nearly 1.5 lakh books
  - Employees can also participate in the 'HDFC Bank Voice Hunt Contest' in association with Shankar Mahadevan Academy and 'Corporate Photography Contest' which is an inter-corporate event.

  The Bank encourages employees to participate in community and social work. Through your Bank's Employee Payroll Giving' programme, personnel can choose to donate a certain amount from their salary each month towards specific social causes.

  The other flagship programmes are the Blood Donation Drive and the Bank's volunteering programme which entails employees imparting financial literacy and contributing to relief efforts in case of natural calamities.

  'HDFC Bank Cares' is an initiative to address healthcare needs of employees. Benefits under this programme include health mailers, doctor on call, health check-up camps and talks on wellness by experts. The Bank runs an on-site crèche at Kanjurmarg, Mumbai.

  These initiatives create a connect among employees and also helps them forge an emotional bond with the organization. Further, a strong feedback mechanism helps shape the programmes and aligns them with people's expectations and organisation policies.

- **Training and Development:** Training plans are developed based on analysis of training needs identified in consultation with various businesses. An extensive bouquet of training programmes are delivered covering on-boarding, product and process training, advanced programmes and behavioural training. The on-boarding training ensures that new employees are trained comprehensively and equipped with necessary know-how, as well as functional and behavioural skills required for the role. The product training and advanced programmes enable skill development, regular updates and build expertise. The training methodology has evolved to application based training including simulations, case studies and games. Leveraging technology, many of the class room programmes are now being delivered through online mode. The role specific learning plan ensures effective use of blended learning method.

- **Rewards:** Merit is the driving force in the organisation and objectivity the watchword while rewarding employees on a financial and non-financial basis. This fair and equitable approach encourages people to give their best. The compensation policy ensures that remuneration is not only competitive but also includes wealth creation opportunities through long-term rewards like ESOPs. Your Bank's comprehensive compensation policy is aligned with the guidelines of the Reserve Bank of India. The 'Star Awards' is an institutionalised recognition programme that periodically recognizes performers. The 'Tejaswini Awards' is a special category to recognize women achievers.

Other Statutory Disclosures

Board and Board Committees

The details of Board meetings held during the year, attendance of Directors at the meetings and constitution of various Committees of the Board are included separately in the Corporate Governance Report.

Extract of Annual Return

Pursuant to section 92 (3) of the Companies Act, 2013 and Rule 12 (1) of the Companies (Management and Administration) Rules, 2014, the extract of the Annual Return is annexed as **ANNEXURE 3** to this report.

Directors' Responsibility Statement

Pursuant to Section 134 (3) (c) read with Section 134 (5) of the Companies Act, 2013, the Board of Directors hereby state that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any
- We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as on March 31, 2017 and of the profit of the Bank for the year ended on that date
- We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities
- We have prepared the annual accounts on a going concern basis
- We have laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively
- We have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and were operating effectively

Auditors

The Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. During the year under review, fees paid to the auditors were as follows:

Fees (including taxes)	**₹ lacs**
Statutory Audit (₹ 1,90,00,000 plus taxes)	218.50
Certification & other services provided as statutory auditors	39.08
Total	**257.58**

Members are requested to consider their re-appointment for financial year 2017-18.

Disclosure under Foreign Exchange Management Act, 1999

The Bank is in compliance with the Foreign Exchange Management Act, 1999 (FEMA) provisions with respect to downstream investments made in its subsidiaries. Further, the Bank has obtained a certificate from its statutory auditors certifying that the Bank is in compliance with the FEMA provisions with respect to downstream investments made in its subsidiaries in the year under review.

Related Party Transactions

Particulars of transactions with related parties referred to in Section 188 (1), as prescribed in Form AOC-2 under Rule 8 (2) of the Companies (Accounts) Rules, 2014 is enclosed as **ANNEXURE 4**.

Particulars of Loans, Guarantees or Investments

Pursuant to Section 186 (11) of the Companies Act, 2013, the provisions of Section 186 of Companies Act, 2013, except sub-section (1), do not apply to a loan made, guarantee given or security provided by a banking company in the ordinary course of business. Further, in terms of the Companies (Removal of Difficulties) Order, 2015, nothing in Section 186 except sub section (1) shall apply to any acquisition made by a banking company in the ordinary course of business. The particulars of investments made by the Bank are disclosed in Schedule 8 of the Financial Statements as per the applicable provisions of Banking Regulation Act, 1949.

Financial Statements of Subsidiaries and Associates

In terms of Section 134 of the Companies Act, 2013 and read with Rule 8 (1) of the Companies (Accounts) Rules, 2014 the performance and financial position of the Bank's subsidiaries and associates are enclosed as **ANNEXURE 5** to this report. There were no entities which became or ceased to be the Bank's subsidiaries, associates or joint ventures during the year, except Atlas Documentary Facilitators Company Private Limited and HBL Global Private Limited, associates of the Bank, which amalgamated with the Bank's subsidiary HDB Financial Services Limited, pursuant to the approval of the Honourable

High Court of Gujarat and Bombay with effect from December 1, 2016. The appointed date of the merger as per the scheme of amalgamation was April 1, 2014.

Whistle Blower Policy/Vigil Mechanism

The Bank has adopted a Whistle Blower Policy pursuant to which employees of the Bank can raise their concerns relating to fraud, malpractice or any other activity or event which is against the interest of the Bank or society as a whole. Details of complaints received and the action taken are reviewed by the Audit Committee. The functioning of the Whistle Blower mechanism is reviewed by the Audit Committee from time to time. None of the Bank's personnel have been denied access to the Audit Committee.

Declaration by Independent Directors

Mrs. Shyamala Gopinath, Mr. Partho Datta, Mr. Bobby Parikh, Mr. A. N. Roy, Mr. Malay Patel and Mr. Umesh Chandra Sarangi are Independent Directors on the Board of the Bank as on March 31, 2017. All the Independent Directors have given their respective declarations under Section 149 (6) and (7) of the Companies Act, 2013 and the Rules made thereunder. In the opinion of the Board, the Independent Directors fulfil the conditions relating to their status as Independent Directors as specified in Section 149 of the Companies Act, 2013 and the Rules made thereunder.

Board Performance Evaluation

The Nomination and Remuneration Committee (NRC) has approved a framework/policy for evaluation of the Board, Committees of the Board and the individual members of the Board. The said framework/policy was duly reviewed during the year. A questionnaire for the evaluation of the Board and its Committees, designed in accordance with the said framework and covering various aspects of the performance of the Board and its Committees, including composition and quality, roles and responsibilities, processes and functioning, adherence to Code of Conduct and Ethics and best practices in Corporate Governance was sent out to the Directors. The responses received to the questionnaires on evaluation of the Board and its Committees were placed before the meeting of the Independent Directors for consideration. The assessment of the Independent Directors on the performance of the Board and its Committees was subsequently discussed by the Board at its meeting.

Your Bank has in place a process wherein declarations are obtained from the directors regarding fulfilment of the 'fit and proper' criteria in accordance with the guidelines of the Reserve Bank of India. The declarations from the Directors other than members of the NRC are placed before the NRC and the declarations of the members of the NRC are placed before the Board. Assessment on whether the Directors fulfil the said criteria is made by the NRC and the Board on an annual basis. In addition, the framework/policy approved by the NRC provides for a performance evaluation of the Non-Independent Directors by the Independent Directors on key personal and professional attributes and a similar performance evaluation of the Independent Directors by the Board, excluding the Director being evaluated. Such performance evaluation has been duly completed as above.

Policy on Appointment and Remuneration of Directors and Key Managerial Personnel

The Nomination and Remuneration Committee (NRC) recommends the appointment of Directors to the Board. It identifies persons who are qualified to become Directors on the Board and evaluates criteria such as academic qualifications, previous experience, track record and integrity of the persons identified before recommending their appointment to the Board.

The remuneration of whole time Directors is governed by the compensation policy of the Bank. The compensation policy of the Bank, duly reviewed and recommended by the NRC has been articulated in line with the Reserve Bank of India guidelines.

Your Bank's compensation policy is aimed to attract, retain, reward and motivate talented individuals critical for achieving strategic goals and long term success. Compensation policy is aligned to business strategy, market dynamics, internal characteristics and complexities within the Bank. The ultimate objective is to provide a fair and transparent structure that helps the Bank to retain and acquire the talent pool critical to building competitive advantage and brand equity.

Your Bank's approach is to have a pay for performance culture based on the belief that the Performance Management System provides a sound basis for assessing performance holistically. The compensation system should also take into account factors like roles, skills/competencies, experience and grade / seniority to differentiate pay appropriately on the basis of contribution, skill and availability of talent on account of competitive market forces. The details of the compensation policy are also included in Schedule 18 Notes forming part of the Accounts - Note no. 25. Non-Executive Directors are paid remuneration by way of sitting fees for attending meetings of the Board and its Committees, which are determined by the Board based on applicable regulatory prescriptions. Non-Executive Directors are also reimbursed expenses incurred by them for attending meetings of the Board and its Committees at actuals. The remuneration payable to the Non-Executive Directors and Independent Directors is governed by the provisions of the Banking Regulation Act, 1949, RBI guidelines issued from time to time and the provisions of the Companies Act, 2013 and related rules to the extent it is not inconsistent with the provisions of the Banking Regulation Act, 1949 and RBI guidelines. In terms of the guidelines issued by RBI for compensation of Non-Executive Directors of private sector banks dated June 1, 2015 and the approval of shareholders at the 22nd Annual General Meeting, Non-Executive Directors of the Bank, other than the Chairperson, are paid profit-related commission of ₹ 10,00,000/- (Rupees Ten Lakh only) per annum for each Non-Executive Director.

Mr. Aditya Puri is the Non-Executive Chairman of HDB Financial Services Limited, Bank's subsidiary. Mr. Puri does not receive any remuneration from the subsidiary. None of the Directors of your Bank other than Mr. Puri is a director of the Bank's subsidiaries as on March 31, 2017.

Significant and Material Orders Passed By Regulators

During the financial year 2016-17, further to the media reports in October 2015 about irregularities in advance import remittances in various banks, the Reserve Bank of India (RBI) had conducted a scrutiny of the transactions carried out by the Bank under Section 35 (1A) of the Banking Regulation Act, 1949. The RBI issued a Show Cause notice to which the Bank had submitted its detailed response. After considering the Bank's submission, the RBI imposed a penalty of ₹ 2 crore on the Bank vide its letter dated July 19, 2016 on account of pendency in receipt of bill of entry relating to advance import remittances made and lapses in adhering to KYC/AML guidelines in this respect. The penalty has since been paid. The Bank has implemented a comprehensive corrective action plan, to strengthen its internal control mechanisms so as to ensure that such incidents do not recur.

Directors and Key Managerial Personnel

The Bank proposes to re-appoint Mr. Paresh Sukthankar and Mr. Kaizad Bharucha as Deputy Managing Director and Executive Director of the Bank, respectively, for a period of three years each with effect from June 13, 2017, subject to the approval of the Reserve Bank of India and the shareholders at the ensuing Annual General Meeting. In compliance with Section 152 of the Companies Act, 2013, Mr. Sukthankar and Mr. Bharucha will also retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. The Bank also proposes to re-appoint Mrs. Shyamala Gopinath at the ensuing Annual General Meeting as the Part Time Non-Executive Chairperson of the Bank for a period of three years commencing from January 2, 2018 till January 1, 2021 or till such other earlier or later date(s) as may be approved by Reserve Bank of India, and as subsequently extended by the Reserve Bank of India from time to time.

During the year, Mr. Srikanth Nadhamuni was appointed as an Additional Director of the Bank with effect from September 20, 2016 to hold office till the conclusion of the ensuing Annual General Meeting. Mr. Nadhamuni has been appointed as a director having expertise in the field of Information Technology. In terms of Section 152 of the Companies Act, 2013, it is proposed to appoint Mr. Nadhamuni as a Director of the Bank at the ensuing Annual General Meeting. The Bank has received a notice from a member proposing his candidature as Director of the Bank. Mr. Nadhamuni shall be liable to retire by rotation.

The brief resume/details regarding the Directors proposed to be appointed/re-appointed as above are furnished in the report on Corporate Governance. There have been no changes in the Directors and Key Managerial Personnel of the Bank other than the above.

Familiarisation Programme for Independent Directors

The various programmes undertaken for familiarising Independent Directors with the functions and procedures of the Bank are disclosed in the Corporate Governance Report.

Particulars of Employees

The information in terms of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given in **ANNEXURE 6** and **ANNEXURE 7** to this report.

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

(A) Conservation of Energy

Your Bank has undertaken several initiatives in this area such as

- Installation of green locks and AC controllers in air conditioning machines in order to save energy and support go-green initiative
- Installation of energy capacitors at high consumption offices to control the power factor and to reduce energy consumption
- All main signboards in branches switched off post 10 p.m.
- Put controls on usage of lifts, ACs, common passage lights and other electrical equipment

(B) Technology Absorption

Your Bank has been at the forefront of using technology absorption and evaluates innovative technology with multiple fintech partners. In the year under review, it organised its 2nd 'Digital Innovation Summit' and shortlisted several fintech startups to carry out multiple proof of concepts in both customer facing and internal processes.

Your Bank uses advanced analytics to create a 360 degree view of all 4.05 crore customers. The analytics engine uses machine learning to analyze structured and unstructured data which help in offering relevant product/ service recommendations using advanced algorithms. These are delivered via personalized campaigns through an omni-channel approach. Your Bank has also begun using robotics and artificial intelligence in digital commerce, corporate supply chain and payment settlement systems to reduce time to market and turnaround time.

(C) Foreign Exchange Earnings and Outgo

During the year, the total foreign exchange earned by the Bank was ₹ 1,263.4 crore (on account of net gains arising on all exchange/derivative transactions) and the total foreign exchange outgo was about ₹ 221 crore towards the operating and capital expenditure requirements.

Secretarial Audit

In terms of Section 204 of the Companies Act, 2013 and the Rules made thereunder, M/s. BNP & Associates, Practising Company Secretaries have been appointed as Secretarial Auditors of the Bank for the financial year 2016-17. The report of the Secretarial Auditors is enclosed as **ANNEXURE 8** to this Report. The observations in the said report are self-explanatory and no further comments/explanations are called for.

Corporate Governance

In compliance with Regulation 34 and other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate report on Corporate Governance along with a certificate of compliance from the Secretarial Auditors, forms an integral part of this Report.

Business Responsibility Report

The Bank's Business Responsibility Report containing a report on its Corporate Social Responsibility Activities and Initiatives in the format adopted by companies in India as per the guidelines of the Securities and Exchange Board of India in this regard is available on its web site www.hdfcbank.com

Information under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The relevant information is included in Section E-Principle 3 of the Business Responsibility Report for 2016-17.

Acknowledgement

Your Directors would like to place on record their gratitude for all the guidance and co-operation received from the Reserve Bank of India and other government and regulatory agencies. Your Directors would also like to take this opportunity to express their appreciation for the hard work and dedicated efforts put in by the Bank's employees and look forward to their continued contribution in building a 'World Class Indian Bank.'

Conclusion

The global economy is facing risks emanating from policy uncertainty in the US, imminent elections in several European countries and rising protectionism. The Indian economy seems better placed. And so is your Bank which is on course to continue to outgrow the system, as it has in the year under review.

Like in the past, the Bank will continue to leverage its distribution strength and digital platforms especially in the rural and semi-urban parts of the country for sustainable growth.

Needless to say, the Bank will continue to focus on its 5 core values namely Customer Focus, Operational Excellence, Product Leadership, People and Sustainability. Its commitment to the highest possible standards of corporate governance remains unwavering. All of this will help the Bank on its onward growth journey and help create long-term shareholder value.

On behalf of the Board of Directors

Mrs. Shyamala Gopinath
Chairperson

Mumbai, May 29, 2017

ANNEXURE 1 to the Directors' Report

The ESOP Schemes of the Bank are in compliance with SEBI (Share Based Employee Benefits) Regulations, 2014 ("the Regulations") and the details as per the Regulations are as under:

EMPLOYEES' STOCK OPTIONS AS ON MARCH 31, 2017

Plan/ Schemes	Date of Shareholders' Approval	Total No. of Options Approved	Grant Price (₹)	Number of Options Outstanding at the beginning of the year	Number of Options Granted / Options Re-instated	Options Vested	Number of Options Exercised & Shares Allotted during the year	Number of Options Forfeited during the year	Number of Options Lapsed during the year	Number of Options in Force at the end of the year
Plan E- ESOS XVI	30th June, 2010	100,000,000	440.16	1,674,000	-	-	1,674,000	-	-	-
Plan E- ESOS XVII	30th June, 2010	100,000,000	508.23	111,600	-	-	111,600	-	-	-
Plan E- ESOS XVIII	30th June, 2010	100,000,000	468.40	12,552,500	-	-	10,413,000	-	100	2,139,400
Plan E- ESOS XIX	30th June, 2010	100,000,000	680.00	23,512,100	-	8,878,500	10,449,800	86,100	21,000	12,955,200
Plan D- ESOS XX	16th June, 2007	75,000,000	680.00	5,133,900	-	1,835,400	1,748,800	30,000	20,800	3,334,300
Plan C- ESOS XXI	17th June, 2005	50,000,000	680.00	5,260,800	-	1,719,300	942,400	-	-	4,318,400
Plan E- ESOS XXII	30th June, 2010	100,000,000	664.45	-	-	-	-	-	-	-
Plan C- ESOS XXIII	17th June, 2005	50,000,000	835.50	480,000	-	142,200	122,600	24,000	7,400	326,000
Plan F- ESOS XXIV	27th June, 2013	100,000,000	835.50	36,442,200	-	11,282,900	7,059,900	651,400	59,000	28,671,900
Plan F- ESOS XXV	27th June, 2013	100,000,000	1092.65	43,484,200	-	17,291,600	1,837,100	1,201,000	38,000	40,408,100
Plan F- ESOS XXVI	27th June, 2013	100,000,000	1097.80	3,000	-	1,200	-	-	-	3,000
Total	-	-	-	**128,654,300**	**-**	**411,51,100**	**343,59,200**	**1,992,500**	**146,300**	**92,156,300**

Options Exercised during the aforesaid period	34,359,200
Share Capital Money received during the above period (₹)	68,718,400
Share Premium Money received during the above period (₹)	22,546,443,173
Perquisite Tax Amount collected during the aforesaid period (₹)	7,074,356,786
Total Amount collected during the aforesaid period (₹)	29,689,518,359

Note:

1. One (1) share of the face value of ₹ 2/- each would arise on exercise of One (1) Equity Stock Option.

2. No Stock Options were granted during the year 2016-17.

HDFC BANK
We understand your world

Vesting Requirements	Except for the death / permanent disablement or retirement of the employee, the options will vest only if the employee is in the continuous employment of the Bank as on the date of vesting
Maximum Term of Options	Provided the employee is in the continuous employment of the Bank, the options vested will lapse in case the same are not exercised by the employee within 4 years from the date of vesting. Except in the case of death/ permanent disablement or retirement of the employee, all unvested options get forfeited on the employee's last working date in the Bank.
Source of shares	Primary
Variation in terms of ESOS	Nil

Diluted Earnings Per Share (EPS) pursuant to the issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) - 20 (Earnings Per Share)	The diluted EPS of the Bank calculated after considering the effect of potential equity shares arising on account of exercise of options is ₹ 56.4
Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed	Had the Bank followed fair value method for accounting, the stock option compensation expense would have been higher by ₹ 812.7 crore. Consequently profit after tax would have been lower by ₹ 812.7 crore and the basic EPS of the Bank would have been ₹ 54.0 per share (lower by ₹ 3.2 per share) and the diluted EPS would have been ₹53.3 per share (lower by ₹ 3.2 per share)
Weighted average exercise prices and weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock options	The weighted average price of the stock options exercised is ₹658.2 and the weighted average fair value is ₹235.3
Method used and assumptions made to incorporate effects of expected early exercise	The exercise multiple, which is based on historical data of early option exercise decisions of the employees, incorporates early exercise price effect in the valuation of ESOPs. The exercise multiple indicates that option holders tend to exercise their options when the share price reaches a particular multiple of the exercise price.
How expected volatility was determined, including explanation of the extent to which expected volatility was based on historical volatility	Stock expected volatility is completely based on GARCH volatility forecasting model using historical stock prices from the market.
Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition	Stock price and risk free interest rate are variables based on actual market data at the time of ESOP valuation.

ANNEXURE 2 to the Directors' Report

HDFC Bank Annual CSR Report 2016–2017

1. Brief outline of the CSR Policy

HDFC Bank, has worked towards the vision of "Creating Sustainable Communities" through its CSR Programmes. In line with the requirements of Section 135 of the Companies Act, the Bank has instituted the CSR Policy, duly approved by the Board. HDFC Bank's CSR policy outlines the Bank's mission to contribute to social and economic development of the communities at large. During the financial year 2016-17, the Bank has undertaken CSR Programmes aligned to the CSR Policy in the below focus areas -

1. Promoting Education
2. Skill Training and Livelihood Enhancement
3. Health Care
4. Environmental Sustainability
5. Eradicating Poverty
6. Rural Development

The Bank's CSR Policy can be found on the corporate Website at http://www.hdfcbank.com/assets/pdf/CSR_Policy.pdf

2. Composition of CSR Committee

The Bank has also constituted a Board-level CSR Committee to govern the implementation of the policy. The composition of the Committee is as follows:

- Ms. Renu Karnad
- Mr. Bobby Parikh (Independent Director)
- Mr. Partho Datta (Independent Director)
- Mr. U C Sarangi (Independent Director)
- Mr. Aditya Puri
- Mr. Paresh Sukthankar

3. Average net profit of the company for last three financial years

INR 15,200 CR

4. Prescribed CSR Expenditure (two percent of the amount as in item 4 above)

INR 304 CR

5. Details of CSR spent during the financial year

- Total amount spent during the financial year : INR 305.42 CR
- Amount unspent, if any: INR 0 CR

- The manner in which the amount is spent during the financial year is detailed below

Sr. no	CSR project / Activity	Sector (Schedule VII)	Projects or programs 1. Local area or others 2. State and district	Amount outlay (project-wise) (INR Cr)	Amount spent (INR Cr) 1. Direct expenditure 2. Overheads	Cumulative expenditure up to reporting period (INR Cr)*	Amount spent: Direct or through *implementing agency (INR Cr)
1	Promoting Education	Promotion of Education	Pan India	25.48	1. 7.10 2. 0.37	58.63	Implementing Agency - 18.01
2	Skill Training and Livelihood Enhancement	Skill development and Vocational Training	Pan India	30.41	1. 18.03 2. 0.37	60.93	Implementing Agency - 12.01
3	Health Care	Preventive and Curative Healthcare	Pan India	23.56	1. 23.19 2. 0.37	39.10	Direct
4	Environmental Sustainability	Environment	Pan India	1.01	1. 1.01 2. 0.00	2.68	Direct
5	Eradicating Poverty	Eradicating poverty	Pan India	4.46	1. 0.00 2. 0.00	6.82	Implementing Agency - 4.46
6	Rural Development	Rural Development Projects	Pan India	220.50	1. 126.71 2. 0.37	441.95	Implementing Agency - 93.42

*Details of the implementing agencies are listed below:

Promotion of Education: Bodh Shiksha Samiti, Chaturang Pratisthan, Friends Union for Energizing Lives, Isha Education, Katha, Magic Bus India Foundation, Meljol, Moinee Foundation, Nisvartha Foundation, Pratham Education Foundation, Society for Action in Community Health, Sri Aurobindo Society, Sri Sathya Sai Trust, Teach To Lead, Yuva Unstoppable; **Rural Development** : Action For Food Production, Aga Khan Rural Support Programme (India), Aroh Foundation, Ashwamegh Gramin Panlot Kshetra Vikas Va Shaikshanik Sanstha, BAIF Development Research Foundation, Community Advancement & Rural Development Society, FXB India Suraksha, Gram Unnati Foundation, Hiteshi Samaj Seva Sanstha, Integrated Development Foundation,KGVK, Krushi Vikas Va Gramin Prashikshan Sanstha, MYRADA, Nav Bharat Jagriti Kendra, Navrachna Mahila Vikas Trust, Participatory Action for Community Empowerment, Peoples Action for National Integration, Professional Assistance for Development Action, Sahbagi Shikshan Kendra, Sanjeevani Institute for Empowerment & Development, Share Society to Heal Aid Restore Educate, Shikhar Yuva Manch, Shramik Bharti, Society for Action in Community Health, Vikalp, Watershed Organisation Trust, Yuva Rural Association, Agrasar, Yuva Unstoppable, Shaktishali Mahila Sangthan Samiti, Voluntary Association for People Service, Kalptaru Vikas Samiti, Indo Global Social Service Society, Aroh Foundation, Community Advancement & Rural Development Society, SAKSHI; **Skills Training & Livelihood Enhancement**: Aroh Foundation, Dr M L Dhawale Memorial Trust, Friends Union for Energizing Lives, FXB India Suraksha, Indo Global Social Service Society, Navrachna MahilaVikas Trust, Pune City Connect Development Foundation, Samvedna Development Society, SGBS Unnati Foundation, SIFE India, Tata Institute of Social Sciences, The Leprosy Mission Trust India, Voluntary Association for People Service; **Other Donations under different projects**: Bhajandas Bajaj Foundation, Chetana Foundation, GiveIndia, Helpage India, Commissioner of Municipal Administration

6. In case company has failed to spend the two percent of the average net profit for the last three financial years or any part thereof, the reasons for not spending the amount.

NA

7. A responsibility statement of CSR committee:

Our CSR activities are guided by the vision and objectives as provided in our CSR Policy. We have also put in place a robust monitoring and reporting mechanism to ensure effective implementation of our CSR activities, in line with the requirements of Companies Act 2013.

A detailed description of our current projects is included in the Directors' report.

Mr. Aditya Puri
Managing Director

Mrs. Renu Karnad
Chairperson, CSR Committee

Date: April 13, 2017

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ANNEXURE 3 to the Directors' Report

Form No. MGT-9
Extract of the Annual Return as on the financial year ended March 31, 2017

[Pursuant to section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i. CIN: L65920MH1994PLC080618

ii. Registration Date: August 30, 1994

iii. Name of the Company: HDFC Bank Limited

iv. Category / Sub-category of the Company: Company limited by shares / Indian Non-Government Company

v. Address of the Registered office and contact details:

HDFC Bank Limited

HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013. Tel: 022 2498 8484

vi. Whether listed: Yes

vii. Name, Address and contact details of Registrar and Transfer Agent:

Datamatics Financial Services Limited
Plot no. B 5, Part B, Cross Lane, MIDC, Marol, Andheri East, Mumbai - 400 093
Tel: 022-66712213/14, Email: hdinvestors@dfssl.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

All the business activities contributing 10 per cent or more of the total turnover of the Company shall be stated:

Name and Description of the main products / services	NIC Code	Per cent to Total Turnover of the Bank
Banking and Financial Services	64191	100 per cent

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

Sr. no.	Name and Address of the Company	CIN/ GLN	Holding / Subsidiary / Associate	Percentage of shares held	Applicable section
1	**HDB Financial Services Limited** Radhika, 2nd Floor, Law Garden Road, Navrangpura, Ahmedabad - 380 009.	U65993GJ2007PLC051028	Subsidiary	96.20	Sec 2(87) of Companies Act, 2013
2	**HDFC Securities Limited** I Think, Techno Campus, Building-B, "Alpha" office, 8th Floor, opposite Crompton Greaves, Kanjurmarg (East), Mumbai - 400 042.	U67120MH2000PLC152193	Subsidiary	97.91	Sec 2(87) of Companies Act, 2013
3	**International Asset Reconstruction Company Private Limited** 709, 7th Floor, Ansal Bhavan, 16, Kasturba Gandhi Marg, New Delhi - 110 001	U74999DL2002PTC117357	Associate	29.41	Sec 2(6) of Companies Act, 2013

Note: Atlas Documentary Facilitators Company Private Limited and HBL Global Private Limited ceased to be associates of the Bank consequent to their amalgamation with HDB Financial Services Limited, with effect from December 1, 2016.

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IV. SHAREHOLDING PATTERN: (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY)

(i) Category-wise Share Holding

Category code	Category of shareholder	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				Percentage Change during the year
(I)	(II)	Demat	Physical	Total	Percentage of total shares	Demat	Physical	Total	Percentage of total shares	
(A)	**Promoters**									
1	**Indian**									
(a)	Individuals/HUF	0	0	0	0.00	0	0	0	0.00	0.00
(b)	Central Government	0	0	0	0.00	0	0	0	0.00	0.00
(c)	State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Bodies Corporate (#)	543,216,100	0	543,216,100	21.49	543,216,100	0	543,216,100	21.20	(0.29)
(e)	Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
(f)	Any Other (specify)	0	0	0	0.00	0	0	0	0.00	0.00
	Sub Total (A)(1)	**543,216,100**	**0**	**543,216,100**	**21.49**	**543,216,100**	**0**	**543,216,100**	**21.20**	**(0.29)**
2	**Foreign**									
(a)	NRIs - Individuals	0	0	0	0.00	0	0	0	0.00	0.00
(b)	Other - Individuals	0	0	0	0.00	0	0	0	0.00	0.00
(c)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
(f)	Any Other (specify)	0	0	0	0.00	0	0	0	0.00	0.00
	Sub Total (A)(2)	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0.00**	**0.00**
	Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	**543,216,100**	**0**	**543,216,100**	**21.49**	**543,216,100**	**0**	**543,216,100**	**21.20**	**(0.29)**
(B)	**Public shareholding**									
1	Institutions									
(a)	Mutual Funds	211,659,875	33,185	211,693,060	8.37	206,150,669	33,185	206,183,854	8.05	(0.33)
(b)	Banks / FI	2,822,510	17,390	2,839,900	0.11	2,308,514	17,390	2,325,904	0.09	(0.02)
(c)	Central Government	2,676,950	0	2,676,950	0.11	2,767,437	0	2,767,437	0.11	0.00
(d)	State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
(f)	Insurance Companies	68,146,983	0	68,146,983	2.70	61,511,040	0	61,511,040	2.40	(0.30)
(g)	FIIs	814,448,518	15,170	814,463,688	32.22	880,321,745	15,170	880,336,915	34.35	2.14
(h)	Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
(i)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
(j)	Alternate Investment Funds	0	0	0	0.00	313,796	0	313,796	0.01	0.01
(k)	Other (specify)	0	0	0	0.00	0	0	0	0.00	0.00
	Sub Total (B)(1)	**1,099,754,836**	**65,745**	**1,099,820,581**	**43.50**	**1,153,373,201**	**65,745**	**1,153,438,946**	**45.01**	**1.51**

Category code	Category of shareholder	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				Percentage Change during the year
(I)	(II)	Demat	Physical	Total	Percentage of total shares	Demat	Physical	Total	Percentage of total shares	
2	Non-institutions									
(a)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
(a)(i)	Indian	185,438,125	183,245	185,621,370	7.34	165,798,090	181,005	165,979,095	6.48	(0.86)
(a)(ii)	Overseas	1,248	10,075	11,323	0.00	1,248	10,075	11,323	0.00	0.00
(b)	Individuals	0	0	0	0.00	0	0	0	0.00	0.00
(b)(i)	Individual shareholders holding nominal share capital up to ₹ 1 Lakh	146,520,140	17,200,720	163,720,860	6.48	147,394,271	16,210,855	163,605,126	6.38	(0.09)
(b)(ii)	Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	55,330,724	191,000	55,521,724	2.20	56,969,465	191,000	57,160,465	2.23	0.03
(c)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Other (specify)	0	0	0	0.00	0	0	0	0.00	0.00
d-i	NRI Rep	2,360,398	41,720	2,402,118	0.10	2,308,878	41,295	2,350,173	0.09	0.00
d-ii	NRI Non -Rept	4,833,762	2,765	4,836,527	0.19	3,756,747	2,265	3,759,012	0.15	(0.04)
d-iii	Foreign Bodies	31,000	0	31,000	0.00	21,000	0	21,000	0.00	0.00
d-iv	Foreign National	1,505	0	1,505	0.00	1,068	0	1,068	0.00	0.00
	Sub Total (B)(2)	**394,516,902**	**17,629,525**	**412,146,427**	**16.30**	**376,250,767**	**16,636,495**	**392,887,262**	**15.33**	**(0.97)**
	Total Public Shareholding (B) = (B)(1)+(B)(2)	**1,494,271,738**	**17,695,270**	**1,511,967,008**	**59.80**	**1,529,623,968**	**16,702,240**	**1,546,326,208**	**60.34**	**0.54**
	Total (A+B)	**2,037,487,838**	**17,695,270**	**2,055,183,108**	**81.29**	**2,072,840,068**	**16,702,240**	**2,089,542,308**	**81.54**	**0.25**
(C)	**Custodians for GDRs and ADRs**	473,003,409	0	473,003,409	18.71	473,003,409	0	473,003,409	18.46	(0.25)
	GRAND TOTAL (A)+(B)+(C)	**2,510,491,247**	**17,695,270**	**2,528,186,517**	**100.00**	**2,545,843,477**	**16,702,240**	**2,562,545,717**	**100.00**	**0.00**

 # Promoters are Indian Companies incorporated under the Indian Companies Act 1956 and are controlled by Indian management. Foreign shareholding in the principal promoter company exceeds 51 per cent of their paid up share capital and accordingly the shareholding of the company in the Bank may be deemed as indirect foreign shareholding in terms of the extant FDI Policy. The Bank has made a representation to the Ministry of Finance stating that the shareholding of the Indian Promoters should not be treated as foreign shareholding. Confirmation is awaited from the Ministry of Finance in this regard.

(ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			Percentage change in shareholding during the year**
		No.of Shares	Percentage of total Shares of the company	Percentage of Shares Pledged / encumbered to total shares	No.of Shares	Percentage of total Shares of the company	Percentage of Shares Pledged / encumbered to total shares	
1	Housing Development Finance Corporation Ltd	393,211,100	15.55	0	393,211,100	15.35	0	0
2	HDFC Investments Ltd	150,000,000	5.93	0	150,000,000	5.85	0	0
3	HDFC Holdings Ltd	5,000	0	0	5,000	0	0	0
	Total	**543,216,100**	**21.49**	**0**	**543,216,100**	**21.20**	**0**	**0**

(iii) Change in Promoters' Shareholding:

Shareholder's Name	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	Percentage of total Shares of the company	No.of Shares	Percentage of total Shares of the company
At the beginning of the year	543,216,100	21.49		
Date wise Increase / Decrease in Promoters shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus / sweat / equity etc.) **				
At the end of the year			543,216,100	21.20 (**)

** *During the year under review, there is no change with respect to the shares held by the promoters. However, there is a change in the percentage to capital because of issuance and allotment of additional equity shares by the Bank upon exercise of equity stock options by the employees during the FY 2016-17.*

(iv) Shareholding Pattern of top ten shareholders (other than directors, promoters and holders of GDRs and ADRs):

Sl. No.	Name	Remarks	Date ***	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	Percentage of total shares of the Bank	No. of shares	Percentage of total shares of the Bank
1	EUROPACIFIC GROWTH FUND	At the beginning of the Year	31-MAR-2016	98,038,464	3.88		
		Increase	29-APR-2016	8,257	0.00	98,046,721	3.88
		Increase	06-MAY-2016	370,190	0.02	98,416,911	3.89
		Increase	03-JUN-2016	789,848	0.03	99,206,759	3.92
		Increase	13-JAN-2017	1,105,000	0.04	100,311,759	3.93
		At the END of the Year	31-MAR-2017			100,311,759	3.92
2	LIFE INSURANCE CORPORATION OF INDIA	At the beginning of the Year	31-MAR-2016	61,303,525	2.43		
		Decrease	27-MAY-2016	(5,000)	0.00	61,298,525	2.42
		Decrease	03-JUN-2016	(2,612,303)	(0.10)	58,686,222	2.32
		Decrease	10-JUN-2016	(2,282,968)	(0.09)	56,403,254	2.23
		Decrease	17-JUN-2016	(880,816)	(0.04)	55,522,438	2.19
		Decrease	24-JUN-2016	(480,363)	(0.02)	55,042,075	2.17
		Decrease	30-JUN-2016	(50,000)	0.00	54,992,075	2.17
		Decrease	08-JUL-2016	(370,825)	(0.02)	54,621,250	2.16
		Decrease	14-JUL-2016	(1,375,005)	(0.05)	53,246,245	2.10
		Decrease	15-JUL-2016	(460,000)	(0.02)	52,786,245	2.08
		Decrease	26-AUG-2016	(516,330)	(0.02)	52,269,915	2.06
		Decrease	02-SEP-2016	(509,927)	(0.02)	51,759,988	2.04
		Decrease	09-SEP-2016	(104,221)	0.00	51,655,767	2.03
		Decrease	16-SEP-2016	(36,000)	0.00	51,619,767	2.03
		Decrease	23-SEP-2016	(453,600)	(0.02)	51,166,167	2.01
		Decrease	30-SEP-2016	(234,356)	(0.01)	50,931,811	2.00
		Decrease	07-OCT-2016	(20,000)	0.00	50,911,811	2.00
		Increase	28-OCT-2016	46,855	0.00	50,958,666	2.00

Sl. No.	Name	Remarks	Date ***	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	Percentage of total shares of the Bank	No. of shares	Percentage of total shares of the Bank
		Increase	04-NOV-2016	1,388,247	0.05	52,346,913	2.05
		Increase	11-NOV-2016	2,110,648	0.08	54,457,561	2.14
		Increase	18-NOV-2016	454,250	0.02	54,911,811	2.15
		Increase	30-DEC-2016	596,695	0.02	55,508,506	2.17
		Increase	06-JAN-2017	923,327	0.04	56,431,833	2.21
		Increase	13-JAN-2017	627,943	0.03	57,059,776	2.23
		Decrease	17-FEB-2017	(7,775)	0.00	57,052,001	2.23
		Decrease	24-FEB-2017	(1,000)	0.00	57,051,001	2.23
		Decrease	03-MAR-2017	(42,000)	0.00	57,009,001	2.23
		Decrease	10-MAR-2017	(383,600)	(0.02)	56,625,401	2.21
		Decrease	17-MAR-2017	(560,412)	(0.02)	56,064,989	2.19
		Decrease	24-MAR-2017	(551,014)	(0.02)	55,513,975	2.17
		Decrease	31-MAR-2017	(56,160)	0.00	55,457,815	2.16
		At the END of the Year	31-MAR-2017			55,457,815	2.16
3	CAPITAL WORLD GROWTH AND INCOME FUND	At the beginning of the Year	31-MAR-2016	36,585,126	1.45		
		Increase	09-DEC-2016	499,000	0.02	37,084,126	1.45
		Increase	24-FEB-2017	336,620	0.01	37,420,746	1.46
		Increase	03-MAR-2017	215,864	0.01	37,636,610	1.47
		At the END of the Year	31-MAR-2017			37,636,610	1.47
4	ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED	At the beginning of the Year	31-MAR-2016	41,523,802	1.64		
		Decrease	08-APR-2016	(119,872)	(0.01)	41,403,930	1.64
		Increase	15-APR-2016	90,888	0.00	41,494,818	1.64
		Increase	22-APR-2016	21,800	0.00	41,516,618	1.64
		Increase	29-APR-2016	238,410	0.01	41,755,028	1.65
		Decrease	06-MAY-2016	(143,296)	(0.01)	41,611,732	1.65
		Decrease	13-MAY-2016	(172,416)	(0.01)	41,439,316	1.64
		Decrease	20-MAY-2016	(127,732)	(0.01)	41,311,584	1.63
		Decrease	27-MAY-2016	(510,048)	(0.02)	40,801,536	1.61
		Decrease	03-JUN-2016	(28,822)	0.00	40,772,714	1.61
		Increase	10-JUN-2016	206,566	0.01	40,979,280	1.62
		Decrease	17-JUN-2016	(18,843)	0.00	40,960,437	1.62
		Increase	24-JUN-2016	29,954	0.00	40,990,391	1.62
		Decrease	30-JUN-2016	(859,052)	(0.03)	40,131,339	1.58
		Decrease	01-JUL-2016	(2,100)	0.00	40,129,239	1.58
		Increase	08-JUL-2016	819,945	0.03	40,949,184	1.62
		Decrease	14-JUL-2016	(141,613)	(0.01)	40,807,571	1.61
		Decrease	15-JUL-2016	(30,677)	0.00	40,776,894	1.61
		Decrease	22-JUL-2016	(291,424)	(0.01)	40,485,470	1.60
		Decrease	29-JUL-2016	(66,419)	0.00	40,419,051	1.59
		Decrease	05-AUG-2016	(100,763)	0.00	40,318,288	1.59
		Increase	12-AUG-2016	332,202	0.01	40,650,490	1.60
		Decrease	19-AUG-2016	(46,444)	0.00	40,604,046	1.60

Sl. No.	Name	Remarks	Date ***	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	Percentage of total shares of the Bank	No. of shares	Percentage of total shares of the Bank
		Decrease	26-AUG-2016	(1,249,468)	(0.05)	39,354,578	1.55
		Increase	02-SEP-2016	166,966	0.01	39,521,544	1.56
		Increase	09-SEP-2016	270,918	0.01	39,792,462	1.57
		Decrease	16-SEP-2016	(455,385)	(0.02)	39,337,077	1.55
		Decrease	23-SEP-2016	(606,008)	(0.02)	38,731,069	1.52
		Decrease	30-SEP-2016	(82,983)	0.00	38,648,086	1.52
		Increase	07-OCT-2016	12,018	0.00	38,660,104	1.52
		Increase	14-OCT-2016	306,875	0.01	38,966,979	1.53
		Increase	21-OCT-2016	567,503	0.02	39,534,482	1.55
		Increase	28-OCT-2016	180	0.00	39,534,662	1.55
		Increase	04-NOV-2016	84,161	0.00	39,618,823	1.55
		Decrease	11-NOV-2016	(817,487)	(0.03)	38,801,336	1.52
		Decrease	18-NOV-2016	(252,113)	(0.01)	38,549,223	1.51
		Increase	25-NOV-2016	293,609	0.01	38,842,832	1.52
		Increase	02-DEC-2016	45,996	0.00	38,888,828	1.52
		Decrease	09-DEC-2016	(1,821)	0.00	38,887,007	1.52
		Decrease	16-DEC-2016	(43,019)	0.00	38,843,988	1.52
		Decrease	23-DEC-2016	(11,103)	0.00	38,832,885	1.52
		Increase	30-DEC-2016	90,350	0.00	38,923,235	1.52
		Decrease	06-JAN-2017	(584,328)	(0.02)	38,338,907	1.50
		Decrease	13-JAN-2017	(138,675)	(0.01)	38,200,232	1.50
		Decrease	20-JAN-2017	(653,020)	(0.03)	37,547,212	1.47
		Decrease	27-JAN-2017	(625,450)	(0.02)	36,921,762	1.45
		Increase	03-FEB-2017	275,392	0.01	37,197,154	1.45
		Increase	10-FEB-2017	194,701	0.01	37,391,855	1.46
		Increase	17-FEB-2017	153,125	0.01	37,544,980	1.47
		Decrease	24-FEB-2017	(1,494,486)	(0.06)	36,050,494	1.41
		Increase	03-MAR-2017	133,629	0.01	36,184,123	1.41
		Increase	10-MAR-2017	15,775	0.00	36,199,898	1.41
		Decrease	17-MAR-2017	(240,824)	(0.01)	35,959,074	1.41
		Increase	24-MAR-2017	138,824	0.01	36,097,898	1.41
		Decrease	31-MAR-2017	(233,106)	(0.01)	35,864,792	1.40
		At the END of the Year	31-MAR-2017			35,864,792	1.40
5	SBI-ETF NIFTY 50	At the beginning of the Year	31-MAR-2016	21,028,634	0.83		
		Increase	08-APR-2016	211,633	0.01	21,240,267	0.84
		Increase	15-APR-2016	242,220	0.01	21,482,487	0.85
		Increase	22-APR-2016	28,876	0.00	21,511,363	0.85
		Increase	29-APR-2016	205,474	0.01	21,716,837	0.86
		Increase	06-MAY-2016	281,396	0.01	21,998,233	0.87
		Increase	13-MAY-2016	7,903	0.00	22,006,136	0.87
		Increase	20-MAY-2016	488,992	0.02	22,495,128	0.89
		Increase	27-MAY-2016	169,314	0.01	22,664,442	0.90

Sl. No.	Name	Remarks	Date ***	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	Percentage of total shares of the Bank	No. of shares	Percentage of total shares of the Bank
		Decrease	03-JUN-2016	(182,651)	(0.01)	22,481,791	0.89
		Decrease	10-JUN-2016	(8,956)	0.00	22,472,835	0.89
		Increase	17-JUN-2016	9,456	0.00	22,482,291	0.89
		Increase	24-JUN-2016	225,573	0.01	22,707,864	0.90
		Decrease	30-JUN-2016	(116,294)	(0.01)	22,591,570	0.89
		Decrease	01-JUL-2016	(217,366)	(0.01)	22,374,204	0.88
		Increase	08-JUL-2016	7,047	0.00	22,381,251	0.88
		Increase	14-JUL-2016	155,816	0.01	22,537,067	0.89
		Increase	15-JUL-2016	443	0.00	22,537,510	0.89
		Increase	22-JUL-2016	86,694	0.00	22,624,204	0.89
		Decrease	29-JUL-2016	(269,570)	(0.01)	22,354,634	0.88
		Increase	05-AUG-2016	486,892	0.02	22,841,526	0.90
		Decrease	12-AUG-2016	(5,489)	0.00	22,836,037	0.90
		Increase	19-AUG-2016	129,450	0.01	22,965,487	0.91
		Increase	26-AUG-2016	338,444	0.01	23,303,931	0.92
		Increase	02-SEP-2016	1,788,415	0.07	25,092,346	0.99
		Increase	09-SEP-2016	992,506	0.04	26,084,852	1.03
		Increase	16-SEP-2016	221,590	0.01	26,306,442	1.04
		Increase	23-SEP-2016	235,147	0.01	26,541,589	1.04
		Increase	30-SEP-2016	656,519	0.03	27,198,108	1.07
		Increase	07-OCT-2016	478,658	0.02	27,676,766	1.09
		Decrease	14-OCT-2016	(748,280)	(0.03)	26,928,486	1.06
		Increase	21-OCT-2016	260,328	0.01	27,188,814	1.07
		Increase	28-OCT-2016	140,057	0.01	27,328,871	1.07
		Increase	04-NOV-2016	217,199	0.01	27,546,070	1.08
		Increase	11-NOV-2016	310,428	0.01	27,856,498	1.09
		Increase	18-NOV-2016	567,176	0.02	28,423,674	1.12
		Decrease	25-NOV-2016	(815,434)	(0.03)	27,608,240	1.08
		Increase	02-DEC-2016	747,891	0.03	28,356,131	1.11
		Increase	09-DEC-2016	173,896	0.01	28,530,027	1.12
		Increase	16-DEC-2016	665,065	0.03	29,195,092	1.14
		Increase	23-DEC-2016	628,940	0.03	29,824,032	1.17
		Increase	30-DEC-2016	552,115	0.02	30,376,147	1.19
		Increase	06-JAN-2017	727,054	0.03	31,103,201	1.22
		Increase	13-JAN-2017	229,910	0.01	31,333,111	1.23
		Increase	20-JAN-2017	119,075	0.01	31,452,186	1.23
		Increase	27-JAN-2017	144,954	0.01	31,597,140	1.24
		Increase	03-FEB-2017	507,978	0.02	32,105,118	1.26
		Increase	10-FEB-2017	319,845	0.01	32,424,963	1.27
		Increase	17-FEB-2017	92,124	0.00	32,517,087	1.27
		Decrease	24-FEB-2017	(2,647,573)	(0.10)	29,869,514	1.17
		Increase	03-MAR-2017	135,299	0.01	30,004,813	1.17
		Increase	10-MAR-2017	345,751	0.01	30,350,564	1.19

Sl. No.	Name	Remarks	Date ***	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	Percentage of total shares of the Bank	No. of shares	Percentage of total shares of the Bank
		Increase	17-MAR-2017	103,860	0.00	3,045,4424	1.19
		Decrease	24-MAR-2017	(327,170)	(0.01)	30,127,254	1.18
		Increase	31-MAR-2017	532,932	0.02	30,660,186	1.20
		At the END of the Year	31-MAR-2017			30,660,186	1.20
6	GOVERNMENT OF SINGAPORE	At the beginning of the Year	31-MAR-2016	28,474,691	1.13		
		Increase	08-APR-2016	338,037	0.01	28,812,728	1.14
		Decrease	22-APR-2016	(75,098)	0.00	28,737,630	1.14
		Decrease	13-MAY-2016	(53,503)	0.00	28,684,127	1.13
		Decrease	20-MAY-2016	(2,432)	0.00	28,681,695	1.13
		Decrease	03-JUN-2016	(169,242)	(0.01)	28,512,453	1.13
		Decrease	10-JUN-2016	(75,734)	0.00	28,436,719	1.12
		Increase	17-JUN-2016	56,676	0.00	28,493,395	1.13
		Decrease	24-JUN-2016	(8,067)	0.00	28,485,328	1.13
		Increase	30-JUN-2016	21,628	0.00	28,506,956	1.13
		Increase	01-JUL-2016	2,785	0.00	28,509,741	1.13
		Increase	08-JUL-2016	69,534	0.00	28,579,275	1.13
		Increase	14-JUL-2016	23,572	0.00	28,602,847	1.13
		Increase	15-JUL-2016	1,083	0.00	28,603,930	1.13
		Increase	22-JUL-2016	2,134	0.00	28,606,064	1.13
		Increase	29-JUL-2016	8,567	0.00	28,614,631	1.13
		Decrease	12-AUG-2016	(59,283)	0.00	28,555,348	1.13
		Increase	21-OCT-2016	85,229	0.00	28,640,577	1.13
		Increase	28-OCT-2016	3,232	0.00	28,643,809	1.13
		Increase	04-NOV-2016	6,215	0.00	28,650,024	1.12
		Increase	11-NOV-2016	17,243	0.00	28,667,267	1.13
		Increase	18-NOV-2016	13,737	0.00	28,681,004	1.13
		Decrease	16-DEC-2016	(68,252)	0.00	28,612,752	1.12
		Increase	27-JAN-2017	58,096	0.00	28,670,848	1.12
		Increase	24-FEB-2017	654,662	0.03	29,325,510	1.15
		Increase	03-MAR-2017	852,556	0.03	30,178,066	1.18
		Increase	10-MAR-2017	97,472	0.00	30,275,538	1.18
		Decrease	24-MAR-2017	(148,008)	(0.01)	30,127,530	1.18
		Decrease	31-MAR-2017	(12,200)	0.00	30,115,330	1.18
		At the END of the Year	31-MAR-2017			30,115,330	1.18
7	ICICI PRUDENTIAL VALUE DISCOVERY FUND	At the beginning of the Year	31-MAR-2016	28,708,163	1.14		
		Decrease	08-APR-2016	(290,104)	(0.01)	28,418,059	1.12
		Increase	15-APR-2016	53,274	0.00	28,471,333	1.13
		Increase	22-APR-2016	58,627	0.00	28,529,960	1.13
		Increase	29-APR-2016	296,922	0.01	28,826,882	1.14
		Decrease	06-MAY-2016	(208,630)	(0.01)	28,618,252	1.13
		Decrease	13-MAY-2016	(496,056)	(0.02)	28,122,196	1.11
		Increase	20-MAY-2016	164,011	0.01	28,286,207	1.12
		Increase	27-MAY-2016	44,359	0.00	28,330,566	1.12
		Increase	03-JUN-2016	312,721	0.01	28,643,287	1.13

Sl. No.	Name	Remarks	Date ***	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	Percentage of total shares of the Bank	No. of shares	Percentage of total shares of the Bank
		Decrease	10-JUN-2016	(124,126)	(0.01)	28,519,161	1.13
		Decrease	17-JUN-2016	(54,359)	0.00	28,464,802	1.12
		Decrease	24-JUN-2016	(7,310)	0.00	28,457,492	1.12
		Increase	30-JUN-2016	413,292	0.02	28,870,784	1.14
		Increase	01-JUL-2016	598,896	0.02	29,469,680	1.16
		Increase	08-JUL-2016	1,894,309	0.08	31,363,989	1.24
		Increase	14-JUL-2016	1,255,349	0.05	32,619,338	1.29
		Increase	15-JUL-2016	694,063	0.03	33,313,401	1.31
		Increase	22-JUL-2016	5,021	0.00	33,318,422	1.31
		Increase	29-JUL-2016	1,440,642	0.06	34,759,064	1.37
		Increase	05-AUG-2016	309,035	0.01	35,068,099	1.38
		Increase	12-AUG-2016	633,866	0.03	35,701,965	1.41
		Increase	19-AUG-2016	980,866	0.04	36,682,831	1.45
		Increase	26-AUG-2016	3,073,721	0.12	39,756,552	1.57
		Increase	02-SEP-2016	1445835	0.06	41,202,387	1.62
		Decrease	09-SEP-2016	(174,239)	(0.01)	41,028,148	1.61
		Increase	16-SEP-2016	204,282	0.01	41,232,430	1.62
		Increase	23-SEP-2016	11,214	0.00	41,243,644	1.62
		Decrease	30-SEP-2016	(97,499)	0.00	41,146,145	1.62
		Increase	07-OCT-2016	405,230	0.02	41,551,375	1.63
		Increase	14-OCT-2016	431,693	0.02	41,983,068	1.65
		Increase	21-OCT-2016	82,656	0.00	42,065,724	1.65
		Increase	28-OCT-2016	137,588	0.01	42,203,312	1.66
		Decrease	04-NOV-2016	(104,359)	0.00	42,098,953	1.65
		Decrease	11-NOV-2016	(292,130)	(0.01)	41,806,823	1.64
		Increase	18-NOV-2016	13,187	0.00	41,820,010	1.64
		Decrease	25-NOV-2016	(137,872)	(0.01)	41,682,138	1.64
		Decrease	02-DEC-2016	(1,021,148)	(0.04)	40,660,990	1.59
		Decrease	09-DEC-2016	(181,156)	(0.01)	40,479,834	1.59
		Increase	16-DEC-2016	707,813	0.03	41,187,647	1.61
		Increase	23-DEC-2016	85,679	0.00	41,273,326	1.62
		Increase	30-DEC-2016	8,242	0.00	41,281,568	1.62
		Decrease	06-JAN-2017	(295,053)	(0.01)	40,986,515	1.60
		Increase	13-JAN-2017	575,783	0.02	41,562,298	1.63
		Decrease	20-JAN-2017	(343,773)	(0.01)	41,218,525	1.61
		Decrease	27-JAN-2017	(1,740,249)	(0.07)	39,478,276	1.55
		Decrease	03-FEB-2017	(1,802,625)	(0.07)	37,675,651	1.47
		Decrease	10-FEB-2017	(1,125,875)	(0.04)	36,549,776	1.43
		Decrease	17-FEB-2017	(119,547)	(0.01)	36,430,229	1.42
		Decrease	24-FEB-2017	(5,270,140)	(0.21)	31,160,089	1.22
		Decrease	03-MAR-2017	(6,985)	0.00	31,153,104	1.22
		Decrease	10-MAR-2017	(502,860)	(0.02)	30,650,244	1.20
		Decrease	17-MAR-2017	(536,984)	(0.02)	30,113,260	1.18
		Decrease	24-MAR-2017	(626,159)	(0.02)	29,487,101	1.15
		Increase	31-MAR-2017	213,866	0.01	29,700,967	1.16
		At the END of the Year	31-MAR-2017			29,700,967	1.16

Sl. No.	Name	Remarks	Date ***	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	Percentage of total shares of the Bank	No. of shares	Percentage of total shares of the Bank
8	MORGAN STANLEY MAURITIUS COMPANY LIMITED	At the beginning of the Year	31-MAR-2016	1,754,601	0.07		
		Decrease	08-APR-2016	(12)	0.00	1,754,589	0.07
		Increase	15-APR-2016	97,817	0.00	1,852,406	0.07
		Increase	22-APR-2016	15,231	0.00	1,867,637	0.07
		Decrease	29-APR-2016	(3,864)	0.00	1,863,773	0.07
		Decrease	06-MAY-2016	(153,311)	(0.01)	1,710,462	0.07
		Increase	20-MAY-2016	184,500	0.01	1,894,962	0.08
		Increase	27-MAY-2016	40,538	0.00	1,935,500	0.08
		Increase	03-JUN-2016	100,585	0.00	2,036,085	0.08
		Increase	10-JUN-2016	56,069	0.00	2,092,154	0.08
		Increase	17-JUN-2016	155,563	0.01	2,247,717	0.09
		Increase	24-JUN-2016	346,501	0.01	2,594,218	0.10
		Decrease	30-JUN-2016	(68,200)	0.00	2,526,018	0.10
		Decrease	01-JUL-2016	(50,000)	0.00	2,476,018	0.10
		Decrease	08-JUL-2016	(250,470)	(0.01)	2,225,548	0.09
		Increase	14-JUL-2016	21	0.00	2,225,569	0.09
		Increase	15-JUL-2016	1,968	0.00	2,227,537	0.09
		Decrease	22-JUL-2016	(12,000)	0.00	2,215,537	0.09
		Decrease	29-JUL-2016	(82,034)	0.00	2,133,503	0.08
		Increase	05-AUG-2016	14,771	0.00	2,148,274	0.09
		Decrease	12-AUG-2016	(59,821)	0.00	2,088,453	0.08
		Decrease	19-AUG-2016	(188,299)	(0.01)	1,900,154	0.08
		Increase	26-AUG-2016	13,900	0.00	1,914,054	0.08
		Increase	02-SEP-2016	9	0.00	1,914,063	0.08
		Increase	09-SEP-2016	6,526	0.00	1,920,589	0.08
		Increase	16-SEP-2016	390,060	0.02	2,310,649	0.09
		Increase	23-SEP-2016	784,500	0.03	3,095,149	0.12
		Increase	30-SEP-2016	95,373	0.00	3,190,522	0.13
		Increase	07-OCT-2016	14,000	0.00	3,204,522	0.13
		Decrease	21-OCT-2016	(184,374)	(0.01)	3,020,148	0.12
		Decrease	28-OCT-2016	(966)	0.00	3,019,182	0.12
		Decrease	04-NOV-2016	(30,501)	0.00	2,988,681	0.12
		Increase	11-NOV-2016	27,000	0.00	3,015,681	0.12
		Increase	18-NOV-2016	354,195	0.01	3,369,876	0.13
		Increase	25-NOV-2016	182,126	0.01	3,552,002	0.14
		Increase	02-DEC-2016	131,099	0.01	3,683,101	0.14
		Increase	09-DEC-2016	131,117	0.01	3,814,218	0.15
		Increase	16-DEC-2016	408,330	0.02	4,222,548	0.17
		Increase	23-DEC-2016	919,700	0.04	5,142,248	0.20
		Increase	06-JAN-2017	24,747	0.00	5,166,995	0.20
		Increase	13-JAN-2017	390,472	0.02	5,557,467	0.22
		Increase	20-JAN-2017	2,370,428	0.09	7,927,895	0.31
		Increase	27-JAN-2017	1,822,194	0.07	9,750,089	0.38
		Increase	03-FEB-2017	1,127,144	0.04	10,877,233	0.43
		Increase	10-FEB-2017	463,112	0.02	11,340,345	0.44
		Increase	17-FEB-2017	199,000	0.01	11,539,345	0.45
		Increase	24-FEB-2017	9,019,226	0.35	20,558,571	0.80
		Increase	03-MAR-2017	1,668,702	0.07	22,227,273	0.87

Sl. No.	Name	Remarks	Date ***	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	Percentage of total shares of the Bank	No. of shares	Percentage of total shares of the Bank
		Increase	10-MAR-2017	1,044,741	0.04	23,272,014	0.91
		Increase	17-MAR-2017	38,272	0.00	23,310,286	0.91
		Increase	24-MAR-2017	31,946	0.00	23,342,232	0.91
		Decrease	31-MAR-2017	(113,945)	0.00	23,228,287	0.91
		At the END of the Year	31-MAR-2017			23,228,287	0.91
9	FRANKLIN TEMPLETON MUTUAL FUND A/C FRANKLIN INDIA PRIMA PLUS	At the beginning of the Year	31-MAR-2016	19,482,226	0.77		
		Decrease	08-APR-2016	(4,123)	0.00	19,478,103	0.77
		Increase	15-APR-2016	78,926	0.00	19,557,029	0.77
		Increase	22-APR-2016	4,699	0.00	19,561,728	0.77
		Increase	29-APR-2016	388,599	0.02	19,950,327	0.79
		Increase	06-MAY-2016	311,037	0.01	20,261,364	0.80
		Increase	13-MAY-2016	346,483	0.01	20,607,847	0.82
		Increase	20-MAY-2016	101,025	0.00	20,708,872	0.82
		Increase	27-MAY-2016	1,184	0.00	20,710,056	0.82
		Increase	03-JUN-2016	100,668	0.00	20,810,724	0.82
		Increase	10-JUN-2016	101,067	0.00	20,911,791	0.83
		Increase	17-JUN-2016	2,622	0.00	20,914,413	0.83
		Increase	24-JUN-2016	50,000	0.00	20,964,413	0.83
		Decrease	30-JUN-2016	(342)	0.00	20,964,071	0.83
		Increase	08-JUL-2016	532	0.00	20,964,603	0.83
		Increase	14-JUL-2016	43	0.00	20,964,646	0.83
		Increase	22-JUL-2016	150,448	0.01	21,115,094	0.83
		Decrease	05-AUG-2016	(190)	0.00	21,114,904	0.83
		Increase	12-AUG-2016	100,000	0.00	21,214,904	0.84
		Decrease	19-AUG-2016	(6,142)	0.00	21,208,762	0.84
		Increase	26-AUG-2016	598,422	0.02	21,807,184	0.86
		Increase	02-SEP-2016	227,830	0.01	22,035,014	0.87
		Decrease	09-SEP-2016	(310)	0.00	22,034,704	0.87
		Decrease	16-SEP-2016	(10,448)	0.00	22,024,256	0.87
		Increase	23-SEP-2016	67,346	0.00	22,091,602	0.87
		Increase	07-OCT-2016	180,678	0.01	22,272,280	0.88
		Decrease	14-OCT-2016	(940)	0.00	22,271,340	0.88
		Increase	21-OCT-2016	125,000	0.01	22,396,340	0.88
		Decrease	28-OCT-2016	(313)	0.00	22,396,027	0.88
		Increase	04-NOV-2016	119,621	0.01	22,515,648	0.88
		Decrease	11-NOV-2016	(834)	0.00	22,514,814	0.88
		Decrease	18-NOV-2016	(359,952)	(0.01)	22,154,862	0.87
		Increase	25-NOV-2016	549	0.00	22,155,411	0.87
		Increase	02-DEC-2016	93,757	0.00	22,249,168	0.87
		Increase	09-DEC-2016	340	0.00	22,249,508	0.87
		Increase	16-DEC-2016	80,000	0.00	22,329,508	0.88
		Increase	23-DEC-2016	100,669	0.00	22,430,177	0.88
		Increase	30-DEC-2016	286,619	0.01	22,716,796	0.89
		Increase	13-JAN-2017	148,799	0.01	22,865,595	0.90
		Decrease	27-JAN-2017	(447)	0.00	22,865,148	0.90
		Increase	03-FEB-2017	99,339	0.00	22,964,487	0.90
		Decrease	10-FEB-2017	(242,350)	(0.01)	22,722,137	0.89

Sl. No.	Name	Remarks	Date ***	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	Percentage of total shares of the Bank	No. of shares	Percentage of total shares of the Bank
		Decrease	17-FEB-2017	(98,279)	0.00	22,623,858	0.88
		Decrease	24-FEB-2017	(130,280)	(0.01)	22,493,578	0.88
		Decrease	03-MAR-2017	(428)	0.00	22,493,150	0.88
		Decrease	10-MAR-2017	(172,076)	(0.01)	22,321,074	0.87
		Decrease	17-MAR-2017	(420)	0.00	22,320,654	0.87
		Decrease	24-MAR-2017	(23,391)	0.00	22,297,263	0.87
		Decrease	31-MAR-2017	(152,111)	(0.01)	22,145,152	0.86
		At the END of the Year	31-MAR-2017			22,145,152	0.86
10	RELIANCE CAPITAL TRUSTEE CO LTD A/C-RELIANCE VISION FUND	At the beginning of the Year	31-MAR-2016	25,085,373	0.99		
		Increase	08-APR-2016	347,322	0.01	25,432,695	1.01
		Decrease	15-APR-2016	(14,000)	0.00	25,418,695	1.01
		Decrease	22-APR-2016	(157,783)	(0.01)	25,260,912	1.00
		Increase	29-APR-2016	178,453	0.01	25,439,365	1.01
		Increase	06-MAY-2016	322,848	0.01	25,762,213	1.02
		Decrease	13-MAY-2016	(99,538)	0.00	25,662,675	1.02
		Decrease	20-MAY-2016	(276)	0.00	25,662,399	1.02
		Decrease	27-MAY-2016	(59,000)	0.00	25,603,399	1.01
		Increase	03-JUN-2016	47,782	0.00	25,651,181	1.01
		Increase	10-JUN-2016	19,138	0.00	25,670,319	1.01
		Increase	17-JUN-2016	97,400	0.00	25,767,719	1.02
		Decrease	24-JUN-2016	(226,811)	(0.01)	25,540,908	1.01
		Decrease	30-JUN-2016	(200,000)	(0.01)	25,340,908	1.00
		Decrease	01-JUL-2016	(30,000)	0.00	25,310,908	1.00
		Increase	08-JUL-2016	13,877	0.00	25,324,785	1.00
		Decrease	14-JUL-2016	(290,482)	(0.01)	25,034,303	0.99
		Increase	15-JUL-2016	3,375	0.00	25,037,678	0.99
		Decrease	22-JUL-2016	(349,473)	(0.01)	24,688,205	0.97
		Decrease	29-JUL-2016	(122,625)	(0.01)	24,565,580	0.97
		Decrease	05-AUG-2016	(311,591)	(0.01)	24,253,989	0.96
		Increase	12-AUG-2016	5,827	0.00	24,259,816	0.96
		Decrease	19-AUG-2016	(58,394)	0.00	24,201,422	0.95
		Decrease	26-AUG-2016	(21,054)	0.00	24,180,368	0.95
		Increase	02-SEP-2016	256,501	0.01	24,436,869	0.96
		Decrease	09-SEP-2016	(66,429)	0.00	24,370,440	0.96
		Decrease	16-SEP-2016	(162,127)	(0.01)	24,208,313	0.95
		Increase	23-SEP-2016	28,996	0.00	24,237,309	0.95
		Decrease	30-SEP-2016	(171,800)	(0.01)	24,065,509	0.95
		Decrease	07-OCT-2016	(148,943)	(0.01)	23,916,566	0.94
		Decrease	14-OCT-2016	(113,150)	0.00	23,803,416	0.94
		Decrease	21-OCT-2016	(421,988)	(0.02)	23,381,428	0.92
		Increase	28-OCT-2016	403,629	0.02	23,785,057	0.93
		Decrease	04-NOV-2016	(682,896)	(0.03)	23,102,161	0.91
		Increase	11-NOV-2016	2,369,372	0.09	25,471,533	1.00
		Decrease	18-NOV-2016	(231,715)	(0.01)	25,239,818	0.99
		Increase	25-NOV-2016	89,789	0.00	25,329,607	0.99
		Increase	02-DEC-2016	533,220	0.02	25,862,827	1.01
		Increase	09-DEC-2016	261,242	0.01	26,124,069	1.02
		Increase	16-DEC-2016	247,872	0.01	26,371,941	1.03
		Increase	23-DEC-2016	318,737	0.01	26,690,678	1.05

Sl. No.	Name	Remarks	Date ***	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	Percentage of total shares of the Bank	No. of shares	Percentage of total shares of the Bank
		Decrease	30-DEC-2016	(477,654)	(0.02)	26,213,024	1.03
		Decrease	06-JAN-2017	(463,276)	(0.02)	25,749,748	1.01
		Increase	13-JAN-2017	3,275	0.00	25,753,023	1.01
		Increase	20-JAN-2017	260,992	0.01	26,014,015	1.02
		Increase	27-JAN-2017	85,347	0.00	26,099,362	1.02
		Increase	03-FEB-2017	705,947	0.03	26,805,309	1.05
		Decrease	10-FEB-2017	(7,682)	0.00	26,797,627	1.05
		Decrease	17-FEB-2017	(183,837)	(0.01)	26,613,790	1.04
		Decrease	24-FEB-2017	(8,678,520)	(0.34)	17,935,270	0.70
		Increase	03-MAR-2017	3,103,896	0.12	21,039,166	0.82
		Increase	10-MAR-2017	587,459	0.02	21,626,625	0.85
		Decrease	17-MAR-2017	(96,151)	0.00	21,530,474	0.84
		Increase	24-MAR-2017	1,031,778	0.04	22,562,252	0.88
		Decrease	31-MAR-2017	(1,204,792)	(0.05)	21,357,460	0.83
		At the END of the Year	31-MAR-2017			21,357,460	0.83

**** Date of transfer has been considered as the date on which the beneficiary position was provided by the Depositories to the Bank.*
Increase = Purchase of shares of the Bank *Decrease = Sale of shares of the Bank*

(v) Shareholding of Directors and Key Managerial Personnel

Sr. No.	Name	Remarks	Date ***	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	Percentage of total shares of the Bank	No. of shares	Percentage of total shares of the Bank
1	Aditya Puri	At the beginning of the Year	31-MAR-2016	3,069,044	0.12		
		Increase in shareholding during the year	02-DEC-2016	112,500	0.00	3,181,544	0.12
		Decrease in shareholding during the year	23-DEC-2016	(415,000)	(0.02)	2,766,544	0.11
		Increase in shareholding during the year	03-FEB-2017	675,000	0.03	3,441,544	0.13
		At the END of the Year	31-MAR-2017			3,441,544	0.13
2	Bobby Parikh	At the beginning of the Year	31-MAR-2016	3,837	0.00		
		Increase	13-MAY-2016	875	0.00	4,712	0.00
		At the END of the Year	31-MAR-2017			4,712	0.00
	Jointly With Relatives	At the beginning of the Year	31-MAR-2016	3,538	0.00		
		At the END of the Year	31-MAR-2017			3,538	0.00
3	Kaizad Bharucha	At the beginning of the Year	31-MAR-2016	884,455	0.04		
		Decrease in shareholding during the year	29-JUL-2016	(35,000)	0.00	849,455	0.03
		Decrease in shareholding during the year	05-AUG-2016	(25,000)	0.00	824,455	0.03
		Decrease in shareholding during the year	12-AUG-2016	(20,000)	0.00	804,455	0.03
		Increase in shareholding during the year	02-SEP-2016	136,000	0.00	940,455	0.04
		Decrease in shareholding during the year	30-SEP-2016	(16,000)	0.00	924,455	0.04
		Increase in shareholding during the year	04-NOV-2016	28,000	0.00	952,455	0.04
		Increase in shareholding during the year	02-DEC-2016	28,000	0.00	980,455	0.04
		Decrease in shareholding during the year	24-MAR-2017	(30,000)	0.00	950,455	0.04
		Decrease in shareholding during the year	31-MAR-2017	(12,404)	0.00	938,051	0.04
		At the END of the Year	31-MAR-2017			938,051	0.04
	Jointly With Relatives	At the beginning of the Year	31-MAR-2016	500	0.00		
		At the END of the Year	31-MAR-2017			500	0.00
4	Keki Minoo Mistry	At the beginning of the Year	31-MAR-2016	291,915	0.01		
		At the END of the Year	31-MAR-2017			291,915	0.01
	Jointly With Relatives	At the beginning of the Year	31-MAR-2016	4,215	0.00		
		At the END of the Year	31-MAR-2017			4,215	0.00

Sl. No.	Name	Remarks	Date ***	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	Percentage of total shares of the Bank	No. of shares	Percentage of total shares of the Bank
5	Renu Sud Karnad	At the beginning of the Year	31-MAR-2016	294,620	0.01		
		Decrease in shareholding during the year	10-MAR-2017	(7,000)	0.00	287,620	0.01
		At the END of the Year	31-MAR-2017			287,620	0.01
6	Paresh Sukthankar	At the beginning of the Year	31-MAR-2016	842,655	0.03		
		Decrease in shareholding during the year	06-MAY-2016	(25,000)	0.00	817,655	0.03
		Decrease in shareholding during the year	20-MAY-2016	(8,900)	0.00	808,755	0.03
		Decrease in shareholding during the year	27-MAY-2016	(36,100)	0.00	772,655	0.03
		Decrease in shareholding during the year	03-JUN-2016	(10,000)	0.00	762,655	0.03
		Increase in shareholding during the year	30-JUN-2016	10,000	0.00	772,655	0.03
		Decrease in shareholding during the year	29-JUL-2016	(30,000)	0.00	742,655	0.03
		Decrease in shareholding during the year	05-AUG-2016	(25,000)	0.00	717,655	0.03
		Decrease in shareholding during the year	12-AUG-2016	(9,500)	0.00	708,155	0.03
		Decrease in shareholding during the year	19-AUG-2016	(15,500)	0.00	692,655	0.03
		Decrease in shareholding during the year	26-AUG-2016	(29,000)	0.00	663,655	0.03
		Decrease in shareholding during the year	02-SEP-2016	(1,000)	0.00	662,655	0.03
		Decrease in shareholding during the year	30-SEP-2016	(4,000)	0.00	658,655	0.03
		Increase in shareholding during the year	04-NOV-2016	30,000	0.00	688,655	0.03
		Increase in shareholding during the year	02-DEC-2016	72,500	0.00	761,155	0.03
		Decrease in shareholding during the year	09-DEC-2016	(10,000)	0.00	751,155	0.03
		Decrease in shareholding during the year	16-DEC-2016	(24,000)	0.00	727,155	0.03
		Decrease in shareholding during the year	23-DEC-2016	(36,000)	0.00	691,155	0.03
		Increase in shareholding during the year	30-DEC-2016	110,000	0.00	801,155	0.03
		Increase in shareholding during the year	03-FEB-2017	110,000	0.00	911,155	0.03
		Decrease in shareholding during the year	10-FEB-2017	(15,000)	0.00	896,155	0.03
		Decrease in shareholding during the year	17-FEB-2017	(20,000)	0.00	876,155	0.03
		Decrease in shareholding during the year	10-MAR-2017	(15,000)	0.00	861,155	0.03
		Decrease in shareholding during the year	17-MAR-2017	(30,000)	0.00	831,155	0.03
		Decrease in shareholding during the year	24-MAR-2017	(20,000)	0.00	811,155	0.03
		At the END of the Year	31-MAR-2017			811,155	0.03
	Jointly With Relatives	At the beginning of the Year	31-MAR-2016	3,250	0.00		
		At the END of the Year	31-MAR-2017			3,250	0.00
7	Sashidhar Jagdishan	At the beginning of the Year	31-MAR-2016	582,594	0.02		
		Decrease in shareholding during the year	09-DEC-2016	(30,000)	0.00	552,594	0.02
		Decrease in shareholding during the year	23-DEC-2016	(65,195)	0.00	487.399	0.02
		Increase in shareholding during the year	30-DEC-2016	30,195	0.00	517,594	0.02
		Increase in shareholding during the year	03-FEB-2017	138,000	0.01	655,594	0.03
		Decrease in shareholding during the year	10-MAR-2017	(4,000)	0.00	651,594	0.03
		At the END of the Year	31-MAR-2017			651,594	0.03
8	Sanjay Dongre	At the beginning of the Year	31-MAR-2016	85,250	0.00		
		Decrease in shareholding during the year	29-APR-2016	(19,000)	0.00	66,250	0.00
		Decrease in shareholding during the year	06-MAY-2016	(2,000)	0.00	64,250	0.00
		Increase in shareholding during the year	30-SEP-2016	10,000	0.00	74,250	0.00
		Increase in shareholding during the year	04-NOV-2016	7,500	0.00	81,750	0.00
		Increase in shareholding during the year	02-DEC-2016	64,000	0.00	145,750	0.01
		Decrease in shareholding during the year	24-FEB-2017	(15,000)	0.00	130,750	0.01
		At the END of the Year	31-MAR-2017			130,750	0.01

*** *Date of transfer has been considered as the date on which the beneficiary position was provided by the Depositories to the Bank.*

Increase in shareholding during the year = Allotment of equity shares on exercise of equity stock options

Decrease in shareholding during the year = Sale of shares of the Bank during the year

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V. INDEBTEDNESS

Indebtedness of the Bank including interest outstanding / accrued but not due for payment: (₹ crore)

	Secured Loans excluding deposits	Unsecured Loans [1]	Deposits [2]	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	84,969.0		84,969.0
ii) Interest due but not paid	-	-		-
iii) Interest accrued but not due	-	438.0		438.0
Total (i+ii+iii)	**-**	**85,407.0**		**85,407.0**
Change in Indebtedness during the financial year	-			
• Addition	-	480.8		480.8
• Reduction	-	(10,940.1)		(10,940.1)
Net change	**-**	**(10,459.3)**		**(10,459.3)**
Indebtedness at the end of the financial year	-			
i) Principal Amount	-	74,028.9		74,028.9
ii) Interest due but not paid		-		-
iii) Interest accrued but not due		918.8		918.8
Total (i+ii+iii)	**-**	**74,947.7**		**74,947.7**

(1) *Movement in long-term subordinated debt is shown on a gross basis.*

(2) *Section 73 (1) of the Companies Act, 2013, states that the provisions of the said Act relating to acceptance of deposits by companies do not apply to a Banking company as defined in the Reserve Bank of India Act, 1934. Accordingly, information relating to the Bank's deposits is not disclosed in the table above. As per the applicable provisions of the Banking Regulation Act, 1949, details of the Bank's deposits have been included under Schedule 3 - Deposits, in the preparation and presentation of the financial statements of the Bank.*

(3) *Figures for the previous years have been adjusted to reflect the effect of reclassification as mentioned in point no. 1 of Sch 18 - Notes to accounts.*

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: (₹)

Sr. no.	Particulars of Remuneration	Name of Managing Director / Whole Time Director / Manager			Total Amount
		Aditya Puri (Managing Director)	Paresh Sukthankar (Deputy Managing Director)	Kaizad Bharucha (Executive Director)	
1	Gross Salary				
	a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	81,204,425	50,114,058	38,618,286	169,936,769
	b) Value of perquisites u/s. 17(2) of Income Tax Act, 1961 except stock options	14,487,838	7,912,926	6,078,549	28,479,313
	c) Profits in lieu of salary under section 17(3) of Income Tax Act, 1961.	-	-	-	-
2	Stock options exercised during the year***	574,256,250	310,810,225	149,017,994	1,034,084,469
3	Sweat Equity	-	-	-	-
4	Commission - as per cent of profits - others, specify	-	-	-	-
5	Others *	4,879,884	2,781,456	1,914,000	9,575,340
	Total (A) **	**100,572,147**	**60,808,440**	**46,610,835**	**207,991,422**
	Ceiling as per the Act^				

^ *Section 198 of the Companies Act, 1956 (which corresponds to the now applicable section 197 of the Companies Act, 2013) does not by virtue of section 35B (2A) of the Banking Regulation Act, 1949, apply to Banking companies.*

* *Includes Provident Fund and tax exempted portion of Superannuation.*

** *Does not include the value of the stock options exercised during the year.*

*** *This includes stock options granted and vested over several previous years, but exercised during the last financial year.*

B. Remuneration to other Directors: (₹)

Sr. no.	Name of Director	Particulars of Remuneration			Total Amount
		Fees for attending Board / committee meetings	Commission#	Others	
	Independent Directors				
1	Mrs. Shyamala Gopinath	2,700,000	-	3,000,000	5,700,000
2	Mr. Partho Datta	2,300,000	1,000,000		3,300,000
3	Mr. Bobby Parikh	2,750,000	1,000,000		3,750,000
4	Mr. A.N. Roy	2,500,000	1,000,000		3,500,000
5	Mr. Malay Patel	1,450,000	1,000,000		2,450,000
	Sub total (i)	**11,700,000**	**4,000,000**	**3,000,000**	**18,700,000**
	Other Non-Executive Directors		-		
1	Mrs. Renu Karnad	1,500,000	1,000,000		2,500,000
2	Mr. Keki Mistry	1,750,000	1,000,000		2,750,000
3	Mr. Umesh Chandra Sarangi (appointed w.e.f March 01, 2016)	1,200,000	-		1,200,000
4	Mr. Srikanth Nadhamuni (appointed w.e.f September 20, 2016)	550,000	-	-	550,000
	Sub total (ii)	**5,000,000**	**2,000,000**		**7,000,000**
	Total (i+ii)	**1,670,0000**	**6,000,000**	**3,000,000**	**25,700,000**
	Overall ceiling as per the Act ^				

 # Pursuant to RBI Guidelines on Compensation To Non-Executive Directors of Private Sector Banks dated June 1, 2015 and the resolution passed by the shareholders at the 22nd Annual General Meeting of the Bank held on July 21, 2016, the non-executive directors, including the independent directors, other than the Chairperson, were paid profit-related commission of ₹ 10,00,000/- each. The commission paid during FY 2016-17 pertains to the FY 2015-16.

Total Managerial Remuneration = (A)+(B) = ₹ 233,691,422

^ *Section 198 of the Companies Act, 1956 (which corresponds to the now applicable section 197 of the Companies Act, 2013) does not, by virtue of section 35B (2A) of the Banking Regulation Act, 1949, apply to Banking companies.*

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MANAGING DIRECTOR/ WHOLE TIME DIRECTOR / MANAGER

(₹)

Sr. no.	Particulars of Remuneration	Key Managerial Personnel		
		Mr. Sanjay Dongre (Company Secretary)	Mr. Sashidhar Jagdishan (Chief Financial Officer)	Total
1	**Gross salary**			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	94,13,304	1,93,28,104	2,87,41,408
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961 except stock options	859,587	3,299,469	4,159,056
	(c) Profits in lieu of salary under section 17(3) of Income-tax Act, 1961	-	-	-
2	Stock options exercised during the year***	63,472,275	138,076,540	201,548,815
3	Sweat Equity	-	-	-
4	Commission - as percent of profits - others, specify	-	-	-
5	Others*	335,592	507,096	842,688
	Total**	**10,608,483**	**23,134,669**	**33,743,152**

** Includes Provident Fund and tax exempted portion of superannuation.*
*** Does not include the value of stock options exercised during the year.*
**** This includes stock options granted and vested over several previous years, but exercised during the last financial year.*

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief description	Details of penalties / punishment / compounding fees imposed	Authority (RD / NCLT / Court)	Appeal made, if any (give details)
A. COMPANY					
Penalty					
Punishment			NONE		
Compounding					
B. DIRECTORS					
Penalty					
Punishment			NONE		
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment			NONE		
Compounding					

ANNEXURE 4 to the Directors' Report

Form No. AOC - 2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis: Nil

2. Details of material contracts or arrangement or transactions at arm's length basis

(₹ crore)

(a) Name(s) of the related party Nature of relationship	HDB Financial Services Limited Subsidiary of the Bank							HDFC Securities Limited Subsidiary of the Bank
(b) Nature of contracts/ arrangements/ transactions	Receipt of Deposits	Payment towards collection services availed	Payment of Back Office Support Service Fees	Payment of Sales Support Service Fees	Credit facility provided	Interest earned on Credit Facility provided	Syndicator / Arranger & Investor	Receipt of Deposits
(c) Duration of the contracts / arrangements/ transactions	Varying maturities	Until termination	5 years	2 years	Up to 42 months	-	Varying maturities	Varying maturities
(d) Salient terms of the contracts or arrangements or transactions including the value, if any:	Term and demand deposits placed with the Bank Outstanding Value: 126.44	Services availed for follow-up and collection of customer dues and claims from insurance companies Value: 103.13	Back office support services such as data processing availed by the Bank Value: 561.52	Sales support services for loans and third party products provided by the Bank Value: 786.11	Cash Credit and Term Loans provided Outstanding Value: 1180.15	Interest earned Value: 139.21	Syndicator / Arranger Fees for NCDs/ Bonds Value: 0.83 Investment Value: 1427.00	Term and demand deposits placed with the Bank Outstanding Value : 471.22
(e) Date(s) of approval by the Board, if any:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
(f) Amount paid as advances, if any:	Nil	Security deposit: 9.75	Nil	Nil	Nil	Nil	Nil	Nil

- The above mentioned transactions were entered into by the Bank in its ordinary course of business. Materiality threshold is as prescribed in Rule (3) of the Companies (Meetings of Board and its Powers) Amendment Rules, 2017.
- Certain transactions are not disclosed due to banker- customer relationship. These transactions are at arm's length basis.

ANNEXURE 5 to the Directors' Report

Performance and financial position of subsidiaries and associates of the Bank as on March 31, 2017

(₹ crore)

Name of entity	Net assets as of March 31, 2017		Profit or loss for the year ended March 31, 2017	
	As percentage of consolidated net assets**	Amount***	As percentage of consolidated profit or loss	Amount***
Parent:				
HDFC Bank Limited	97.46%	89,462.38	95.39%	14,549.66
Subsidiaries*:				
1. HDFC Securities Limited	0.88%	807.41	1.42%	215.90
2. HDB Financial Services Limited	5.84%	5,362.90	4.49%	684.21
Minority Interest in all subsidiaries	0.32%	291.44	0.24%	36.72

**The subsidiaries are domestic entities*

***Consolidated net assets are total assets minus total liabilities including minority interest*

****Amounts are before inter-company adjustments.*

(₹ crore)

Name of entity	Investment as per equity method as of March 31, 2017		Share of profit or loss for the year ended March 31, 2017	
	As percentage of consolidated net assets	Amount	As percentage of consolidated profit or loss	Amount
Associate*:				
International Asset Reconstruction Company Private Limited	0.04%	40.30	0.02%	2.34

**The associate is a domestic entity*

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ANNEXURE 6 to the Directors' Report

Disclosures on Remuneration

1. Ratio of Remuneration of each director to the median employees' remuneration for the year

Designation	Ratio
Managing Director	187:1
Deputy Managing Director	113:1
Executive Director	93:1

Note:

a. *We have considered fixed pay for the computation of ratios as the performance bonus for the previous year for Whole time Directors is subject to RBI approval.*

b. *Fixed pay includes-Salary, Allowances, Retiral Benefits as well as value of perquisites excluding ESOPs*

c. *The above includes all employees of the Bank excluding overseas employees.*

2. Percentage increase in remuneration of each Director, CFO, CEO, CS or Manager, if any, in the FY

Designation	Percentage Increase
Managing Director	20.00
Deputy Managing Director	20.00
Executive Director *	40.00
Chief Financial Officer	5.00
Company Secretary	7.00

**The increase in the remuneration includes increase given for salary alignment with Whole Time Directors both internally and externally.*

3. Percentage Increase in the median remuneration of employees in the financial year

The percentage increase in median remuneration of employees in the financial year was 11.12 per cent. The percentage movement in the median remuneration of the employees for the financial year was 1.51 per cent.

4. The number of permanent employees on the rolls of the Bank

As of March 31, 2017 the number of permanent employees on the rolls of the Bank was 84,325.

5. Average percentage increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentage increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.

The average percentage increase for Key Managerial Personnel : 18.40 per cent

The average percentage increase for Non Managerial Staff : 9.69 per cent

6. Affirmation that the remuneration is as per the remuneration policy of the company: YES

ANNEXURE 7 to the Directors' Report

Statement under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for year ended March 31, 2017

Sr. No.	Name of the Employee	Designation	Date of joining the Bank	Qualifications	Age	Exp.	Total (₹)	Last Employment
	Details of top ten employees in terms of remuneration drawn							
1	Aditya Puri	Managing Director	12-Sep-94	B.Com, CA.	66	44	100,572,147	Citibank
2	Paresh Sukthankar	Deputy Managing Director	01-Sep-94	B.Com, M.M.S, A.M.P (Harvard Business School)	54	32	60,808,440	Citibank
3	Kaizad M. Bharucha	Executive Director	04-Oct-95	B.Com	52	31	46,610,835	SBI Commercial & International Bank Ltd.
4	Abhay Aima	Group Head	02-Jan-95	Grad. from National Defence Academy	55	30	26,264,867	INDSEC Securities & Finance Ltd.
5	Rakesh Singh	Group Head	11-Apr-11	MBA, B.Sc	48	24	24,476,625	Roth Child
6	Navin Puri	Group Head	01-Feb-99	B.Com, MBA, CA	59	34	24,090,454	ANZ Grindlays Bank
7	Ashish Parthasarthy	Group Head	01-Nov-94	B.E., PGDM	49	28	23,523,385	INDSEC Investments Ltd.
8	Bhavesh Zaveri	Group Head	13-Apr-98	M.Com., CAIIB	51	28	23,389,168	Barclays Bank
9	Sashidhar Jagdishan	Group Head	05-Feb-96	B.Sc., ACA., M.A (Economics)	52	25	23,134,669	Deutsche Bank
10	Payal Mandhyan*	Vice President	18-Jan-05	PGDBM	39	13	22,684,467	India Bulls Securities Ltd.
	Persons in service for the whole year and drawing emoluments more than ₹ 10,200,000/- per annum, other than the above							
1	Abhishek Bhuwalka	Sr Vice President-I	10-Jun-99	MBA, CWA, B.Com	40	21	13,784,220	Matchless Packaging Industries (P) Ltd.
2	Ajay Kumar Kapoor	Sr Exe Vice President	09-Oct-95	M.Sc.	53	31	12,955,221	Times Bank Ltd.
3	Akshat Lakhera	Sr Vice President-I	09-Sep-10	PGDM, B.Sc	40	16	15,567,571	BNP Paribas
4	Ameya Shekhar Shenoy	Vice President	20-Mar-06	MBA, CA, B.Com	38	13	11,499,582	Tionale Enterprises Pvt Ltd
5	Amit Dayal	Exe. Vice President	19-Dec-94	B.Sc., DBM	50	26	16,814,052	SBI Commercial & International Bank Ltd
6	Anil L. Bhavnani	Exe. Vice President	16-Jun-03	CS, B.Com	44	23	11,082,765	CitiCorp Finance I Ltd.
7	Ankush Pitale	Exe. Vice President	28-Jul-14	MMS	45	21	13,324,739	Religare Capital Markets Pvt. Limited
8	Anupama Rajesh Munagekar	Sr Vice President-I	14-Feb-07	LL.B, B.Com	49	25	13,680,448	Strategic Capital Corporation Pvt Ltd
9	Arun Mohanty	Exe. Vice President	09-Nov-05	BA	59	35	12,791,009	Reserve Bank Of India
10	Arup Kumar Rakshit	Sr Exe Vice President	01-Aug-06	PGDM, B.E	48	31	21,287,305	ABN Amro Bank
11	Arvind Kapil	Group Head	18-Dec-98	MMS, B.E	46	23	15,214,374	GE Countrywide Consumer Financial Services Ltd.
12	Aseem Dhru	Group Head	02-May-15	CA,CWA, B.Com	47	22	18,399,069	HDFC Securities Ltd
13	Ashima Khanna Bhat	Group Head	07-Nov-94	B. Bus, MMS	46	24	17,617,273	A F Ferguson & Co
14	Ashok Khanna	Group Head	19-Jun-02	MA	60	36	15,977,850	Centurion Bank
15	Ashtosh Raina	Sr Vice President-I	03-Sep-07	CAIIB, B.Sc	49	26	13,352,345	State Bank Of India
16	Atul Sadashiv Barve	Exe. Vice President	28-Feb-07	MMS, MA, B.Sc	54	33	11,704,496	IDBI Ltd
17	Benjamin Frank	Sr Exe Vice President	05-Apr-04	MBA, B.Sc	53	31	12,044,784	IDBI Bank Ltd.
18	Bhaskar C. Panda	Sr Vice President-II	21-Nov-97	BA	55	32	17,049,345	Times Bank Ltd.
19	Charmaine Pereira	Sr Vice President-II	01-Nov-94	DBM, BA	44	22	13,759,774	Fresher
20	Debajeet Das	Sr Vice President-II	06-Aug-96	MA	45	22	18,032,347	Texport Syndicate
21	Dolreich D'Mello*	Dy. Vice President	09-Jan-97	B.Com	41	20	12,406,545	ANZ Grindlays Bank
22	Farid Ahmed*	Asst. Vice President	07-May-07	MBA, B.Sc	39	17	11,767,196	Kotak Mahindra Bank Ltd
23	Fayaz Ainodin Patel*	Asst. Vice President	02-Aug-10	MBA, B.Com	38	14	10,303,038	Sharekhan Ltd
24	Gopalkrishnan Santosh	Exe. Vice President	17-Jan-01	B.Com	47	25	10,882,803	American Express Bank
25	Govind Pandey	Sr Exe Vice President	05-Aug-98	MSC	60	34	13,312,806	State Bank of Saurashtra
26	Gulzar Singh	Sr Exe Vice President	28-Oct-96	PGDM, BA	46	23	12,895,189	Times Bank Ltd.
27	Harsh S Gupta*	Sr Vice President-I	04-Sep-00	PGDBA, B.Sc	41	19	18,189,331	ICICI Cap Ltd

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Sr. No.	Name of the Employee	Designation	Date of joining the Bank	Qualifications	Age	Exp.	Total (₹)	Last Employment
28	Imran Ali Baig*	Vice President	05-Jun-97	PGDBA, CFA-A, B.Sc	44	20	11,440,147	Fresher
29	Jay Sonawala	Sr Vice President-II	12-Aug-99	MMS, B.Com	41	18	12,498,838	Fresher
30	Jimmy Tata	Group Head	15-Dec-94	B.Com., M.F.M., CFA	51	29	20,012,753	Apple Industries Ltd.
31	K. Manohara Raj	Sr Exe Vice President	06-Dec-96	CAIIB, B.Com	59	37	11,579,370	Times Bank Ltd.
32	Kapil Bansal	Sr Vice President-I	30-Sep-04	PGPM, B.Com	39	18	13,053,654	ICICI Bank Ltd.
33	Kinjul Sharma*	Asst. Vice President	22-Sep-08	Master's Degree/Dip,B.Com	36	12	11,004,904	Citifinancial
34	Madhusoodan Hegde	Exe. Vice President	11-Feb-97	CAIIB, B.Sc.	56	32	12,095,216	Times Bank Ltd.
35	Mahesh Kumar Jugal Kishoretaparia	Sr Vice President-I	11-Jun-05	LLB, CS, CA, B.Com	40	15	11,183,867	UTI Bank Ltd
36	Maheswara P Reddy	Sr Vice President-I	06-May-02	MBA, BA	46	21	14,042,294	American Express Bank
37	Makarand Shrikant Khandekar	Asst. Vice President	18-Mar-14	B.E	42	19	12,260,022	ICICI Securities Limited
38	Manu Joseph*	Dy. Vice President	13-Nov-11	MMS,B.E	40	15	12,467,442	Citibank
39	Mathew Varghese*	Asst. Vice President	15-Jul-10	MMS,B.E	38	15	10,613,306	Citibank
40	Mayuresh Vasant Apte	Sr Vice President-II	06-Nov-00	MMS, B.TECH, C.H.S.E, C.B.S.E	48	24	11,889,576	Centurion Bank Ltd
41	Michael Andrade	Exe. Vice President	01-Aug-97	MFA, DSM, B.Sc.	49	29	10,359,492	Barclays Bank
42	Mohammed Hannan Abdul*	Asst. Vice President	01-Jul-09	MBA, BSc	38	14	12,313,621	Barclays Bank PLC
43	Munish Mittal	Group Head	17-Aug-96	PGDM, B.Sc.	49	30	14,329,500	Bank Of Punjab
44	N. Srinivasan	Exe. Vice President	11-Nov-96	CA, CWA, CS., B.Com	49	27	11,349,866	Credential Finance
45	Neil Percy Francisco	Group Head	20-May-02	MBA, M.Sc., BE	55	26	13,108,718	Standard Chartered bank
46	Nirav Shah	Group Head	15-Jul-99	MMS, B.Com	45	22	19,186,484	Global Trust Bank
47	Nishant Nangia*	Asst. Vice President	04-Apr-05	B.Com	35	14	12,816,723	E-Serve International Ltd
48	Nishikant Das	Exe. Vice President	23-Apr-12	PGDM, B.TECH	45	19	18,011,034	Standard Chartered Bank
49	Nitin Chugh	Group Head	16-Apr-01	PGDM, B.TECH	46	22	17,069,362	Standered Chartered Bank
50	Nitin Subramanya Rao	Group Head	25-Jul-02	BE, MBA	50	27	19,003,464	BNP Paribas
51	Pallava Rathore*	Vice President	27-Jun-08	Master's Degree/Dip, BSc	41	16	10,566,455	IDBI Bank Ltd
52	Parag Rao	Group Head	15-Apr-02	MMS, B.E	52	28	14,487,588	IBM Global Services
53	Philip Mathew	Group Head	03-Apr-02	MA, B.Sc	54	28	13,402,369	SSKI Investor Services
54	Pratap Luthra	Dy. Vice President	13-Aug-05	MBA,BA	35	14	12,284,191	ABN Amro Bank Ltd
55	Rahul Bhandari*	Vice President	05-Feb-02	PGDBM, B.Com	39	15	14,318,661	Fresher
56	Rajeev Sengupta	Exe. Vice President	21-Sep-07	PG (Gen Mgmt), B.E	56	34	11,452,865	Hutchison Essar Ltd
57	Rajeev Wariar*	Vice President	15-Apr-10	PGDBA, B.E	42	18	16,800,081	Citi Bank
58	Rajender Sehgal	Group Head	23-Feb-98	B.Sc, MBA	62	40	17,558,390	Times Bank Ltd.
59	Rajesh Kumar Rathanchand	Group Head	22-May-00	PGDM, B.Sc	46	28	14,425,888	Trans America Apple Finance Ltd.
60	Rajesh Sharma	Sr Vice President-II	15-Nov-00	CA,CS, B.Com	41	23	10,326,591	LCC Infotech Ltd
61	Rajinder Babbar	Exe. Vice President	16-Jan-01	LLB, B.Sc	50	30	13,530,295	Centurion Bank Ltd
62	Raveesh Kumar Bhatia	Sr Exe Vice President	03-May-10	PGDM, B.Com	51	26	13,371,292	Fore Consultants Pvt Ltd
63	Ravi Narayan	Group Head	03-May-99	MBA, B.TECH	48	24	15,488,261	Bank Of America
64	Ravi Ssn	Sr Vice President-II	26-Nov-10	B.Com	49	17	11,133,605	Deutsche Bank
65	Reji John*	Manager	30-Aug-10	PG Diploma, MA, BA	36	13	11,600,552	Aviva India Life Insurance Co Ltd
66	Resham A. Mahtani	Sr Vice President-I	01-May-01	PGPIM, PGDBM, BA	41	19	12,978,555	Mecklai Financial & Commercial Services Ltd.

Sr. No.	Name of the Employee	Designation	Date of joining the Bank	Qualifications	Age	Exp.	Total (₹)	Last Employment
67	Ritesh Sampat	Sr Vice President-II	03-Jan-12	CA, B.Com	41	17	15,096,463	Standard Chartered Bank
68	Roli Jamthe*	Asst. Vice President	05-Apr-11	MBA, B.Sc, PGDSM	40	16	19,818,230	Royal Bank Of Scotland
69	Sanjay Dongre	Exe. Vice President	02-May-95	B.Com, ACS, CWAINT, LL.B.	59	35	10,608,483	Boehringer Mannheim Ltd.
70	Sanjay K.Singla	Sr Vice President-II	10-Nov-07	PGDM, B.Com	58	35	14,887,359	State Bank of India
71	Sanmoy Chakrabarti	Exe. Vice President	15-Jun-10	MS, B.Sc	42	18	12,792,397	Bank Danamon
72	Sathyamurthy Sampath Kumar	Exe. Vice President	07-Aug-00	B.Com	45	27	14,737,500	Integrated Finance Co. Ltd.
73	Shailesh B. Sukhthankar	Exe. Vice President	01-Dec-94	MMS, B.Com	52	30	10,430,441	Citicorp Overseas s/w Ltd
74	Sharad Rungta	Sr Vice President-II	02-Jun-12	CFA, CA, B.Com	40	16	15,368,533	Credit Suisse AG
75	Sheetal Kapadia*	Asst. Vice President	06-May-09	PGDMS, B.Com	40	17	13,535,124	ICICI Bank Ltd
76	Silvestre Anthony Pereira	Vice President	15-Sep-06	MBA, PG Diploma, B.Com	39	15	14,974,588	UTI Bank Ltd
77	Sitanshu Mitra	Exe. Vice President	01-Sep-95	MBA, B.Sc	49	29	10,609,777	ABN Amro Bank Ltd.
78	Smita Bhagat	Sr Exe Vice President	12-Jul-99	M.Com, MBA	52	29	13,347,040	PDCOR Ltd.
79	Sukarm Bali*	Sr Vice President-I	23-Jul-99	CA, B.Com	50	25	18,515,532	Times Bank Ltd.
80	Sumant Rampal	Exe. Vice President	10-Aug-99	MBA, B.Com	42	20	10,834,497	Walchnad Capital Ltd.
81	Sundaresan M.	Exe. Vice President	02-May-02	B.E (Mechanical), PSG, MBA	46	30	10,289,554	GE Countrywide Consumer Financial Services Ltd.
82	Umashankar Gopalan*	Dy. Vice President	13-Dec-12	B.Com	49	23	14,509,765	ICICI Bank
83	V S Unnikrishnan*	Vice President	12-Apr-03	MBA, B.Sc, PUC	42	19	13,101,738	Global Trust Bank Ltd
84	V. Chakrapani	Group Head	24-Nov-94	B.Com, CAIIB, ACS	53	33	17,244,662	Standard Chartered Bank
85	Veerendra Rai*	Asst. Vice President	23-Apr-11	PGDBA, BBA	38	14	11,350,131	RAK Bank
86	Vijay Krishna Mulbagal	Exe. Vice President	02-Jan-07	PGPM, B.Sc	46	22	14,077,651	Diamond Management & Technology Consultants
87	Vitthal Mangesh Kulkarni	Sr Vice President-I	22-Sep-07	M.Sc., B.E	46	23	12,147,623	Barclays Capital
	Persons employed for part of the year drawing emoluments more than ₹ 850,000 per month							
88	Deepak Maheshwari	Group Head	09-Feb-96	CAIIB, B.Com	62	42	12,429,522	Times Bank Ltd.
89	Harsh Dugar	Executive Vice President	23-Oct-96	CFA, CWA, B.Com	44	26	8,840,172	ICFAI Business School
90	K Balasubramanian	Group Head	03-May-16	CA, ICWA, B.Com	46	21	15,479,725	Citibank
91	Kartik Jain	Executive Vice President	09-May-11	PGDM, B.Tech	47	24	12,623,837	ICICI Lombard General Insurance Company Limited
92	Nitin Jain	Sr Vice President-II	29-Sep-14	PGDBM, B.E	52	29	2,818,964	Cipher Capital Advisors Pvt Ltd
93	Ravi Santhanam	Exe. Vice President	01-Mar-17	PG Diploma, B.E	47	24	1,154,682	Vodafone India
94	T V N Raghuram*	Senior Vice President - I	09-Oct-98	B.Com	48	28	9,989,208	Times Bank Ltd

Notes:

1. Remuneration shown above includes basic salary, allowances, performance bonus, cash allowances in lieu of perquisites or taxable value of perquisites, if availed as computed as per Income-tax rules but excludes Gratuity, PF settlement, Super Annuation settlement, Perquisite on ESOP & Super Annuation perquisite.
2. All appointments are terminable by one / three months' notice as the case may be on either side.
3. The above list does not include Employees sent on Deputation whose salary is reimbursed by the other company.
4. *Employee in overseas location.
5. None of the employees listed above hold 2% or more of the paid-up share capital of the Bank as at March 31, 2017.
6. Other than Mr. Aditya Puri, Managing Director who holds 0.13% of the paid up share capital of the Bank, the shareholding of the employees listed above does not exceed 0.05% of the paid up share capital of the Bank as at March 31, 2017.
7. None of the employees listed above is a relative of any director of the Bank.

ANNEXURE 8 to the Directors' Report

Form No. MR-3
SECRETARIAL AUDIT REPORT
For the financial year ended March 31, 2017
[Pursuant to section 204 (1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Personnel) Rules, 2014]

To
The Members
HDFC Bank Limited
HDFC Bank House,
Senapati Bapat Marg,
Lower Parel (West),
Mumbai - 400 013

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to corporate practices by HDFC Bank Limited (hereinafter called the 'Bank') for the audit period from April 1, 2016 to March 31, 2017. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorized representatives during the conduct of Secretarial Audit; we hereby report that in our opinion, the Bank has, during the audit period from April 1, 2016 to March 31, 2017 (the 'audit period'), complied with the statutory provisions listed hereunder and also that the Bank has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Bank for the financial year ended on March 31, 2017 according to the provisions of:

(i) The Companies Act, 2013 ('the Act') and the Rules made there under;

(ii) The Securities Contracts (Regulation) Act, 1956 and the Rules made there under;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

(iv) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

  (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

  (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

  (c) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

  (d) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

  (e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

  (f) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

  (g) The Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992;

  (h) The Securities and Exchange Board of India (Bankers to an Issue) Regulation, 1994

(v) The Banking Regulation Act, 1949 as specifically applicable to the Bank.

We have also examined compliance with the applicable clauses of the following:

1. Secretarial Standards issued by The Institute of Company Secretaries of India related to meetings and minutes; and

2. Listing Agreement entered into by the Bank with the Stock Exchanges.

During the period under review, the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above.

During the period under review, provisions of the following regulations were not applicable to the Bank:

(i) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

(ii) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;

(iii) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.

We further report that-

The Board of Directors of the Bank is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Proper notice is given to all Directors to schedule the Board meetings in compliance with the provisions of Section 173(3) of the Companies Act, 2013, agenda and detailed notes on agenda were sent at least seven days in advance and where the same were given at shorter notice than 7 (seven) days, proper consent thereof were obtained and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Decisions at the meetings of the Board of Directors of the Bank were carried through on the basis of majority. There were no dissenting views by any member of the Board of Directors during the period under review.

We further report that there are adequate systems and processes in the Bank commensurate with the size and operations of the Bank to monitor and ensure compliance with the applicable laws, rules, regulations and guidelines.

We further report that during the audit period, the Bank has following specific events:

The Bank has obtained approval of members for issue of Perpetual Debt Instruments, Tier II Capital Bonds and Senior Long Term Infrastructure Bonds on a private placements basis of an amount in aggregate not exceeding Rs 50,000 Crore.

The Bank has issued and allotted on September 21, 2016 on a private placement basis Senior, Unsecured, Redeemable, Long Term, Non-Convertible Bonds in the nature of Debentures amounting to ₹ 6700 Crore (67000 Bonds of face value ₹ 10,00,000/- each).

For BNP & Associates
Company Secretaries
[Firm Regn. No. P2014MH037400]

B Narasimhan
Partner
FCS No.: 1303
C P No.: 10440

Place: Mumbai
Date: May 15, 2017

Note: This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

Annexure A

To

The Members
HDFC Bank Limited
HDFC Bank House,
Senapati Bapat Marg,
Lower Parel (West),
Mumbai - 400 013

Secretarial Audit Report of even date is to be read along with this letter.

1. The compliance of provisions of all laws, rules, regulations, standards applicable to HDFC Bank Limited (hereinafter called 'the Bank') is the responsibility of the management of the Bank. Our examination was limited to the verification of records and procedures on test check basis for the purpose of issue of the Secretarial Audit Report.

2. Maintenance of secretarial and other records of applicable laws is the responsibility of the management of the Bank. Our responsibility is to issue Secretarial Audit Report, based on the audit of the relevant records maintained and furnished to us by the Bank, along with explanations where so required.

3. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial and other legal records, legal compliance mechanism and corporate conduct. The verification was done on test check basis to ensure that correct facts as reflected in secretarial and other records produced to us. We believe that the processes and practices we followed, provides a reasonable basis for our opinion for the purpose of issue of the Secretarial Audit Report.

4. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Bank.

5. Wherever required, we have obtained the management representation about list of applicable laws, compliance of laws, rules and regulations and major events during the audit period.

6. The Secretarial Audit Report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

For BNP & Associates
Company Secretaries
[Firm Regn. No. P2014MH037400]

B Narasimhan
Partner
FCS No.: 1303
C P No.: 10440

To the Members of HDFC Bank Limited

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **HDFC BANK LIMITED** ("the Bank"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, in so far as applicable to banks, and the guidelines issued by the Reserve Bank of India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Bank's preparation of the standalone financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, and evaluating the overall presentation of the standalone financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 and the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31st March, 2017, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act and Section 30 of the Banking Regulation Act, 1949, based on our audit, we report to the extent applicable that:

    a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and found them to be satisfactory.

    b) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank.

    c) As explained in paragraph 2 below, the financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by the Branches.

    d) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.

    e) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

f) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.

g) On the basis of the written representations received from the directors as at 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as at 31st March, 2017 from being appointed as a director in terms of Section 164(2) of the Act.

h) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank's internal financial controls over financial reporting.

i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Bank has disclosed the impact of pending litigations on its financial position in its standalone financial statements;

   ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

2. We report that during the course of our audit we performed select relevant procedures at 85 branches. Since the Bank considers its key operations to be automated, with the key applications largely integrated to the core banking systems, it does not require its branches, to submit any financial returns. Accordingly our audit is carried out centrally at the Head Office and Central Processing Units, based on the necessary records and data required for the purposes of the audit being made available to us.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 117365W)

Porus B. Pardiwalla
Partner
(Membership No. 40005)

Mumbai
April 21, 2017

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1.h under 'Report on Other Legal and Regulatory Requirements' section of the auditor's report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **HDFC BANK LIMITED** ("the Bank") as at 31st March, 2017 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines issued by the Reserve Bank of India.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

An audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and other applicable regulations. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 117365W)

Porus B. Pardiwalla
Partner
(Membership No. 40005)

Mumbai
April 21, 2017

Balance Sheet

As at March 31, 2017

₹ in '000

	Schedule	As at 31-Mar-17	As at 31-Mar-16
CAPITAL AND LIABILITIES			
Capital	1	**5,125,091**	5,056,373
Reserves and surplus	2	**889,498,416**	721,721,274
Deposits	3	**6,436,396,563**	5,464,241,920
Borrowings	4	**740,288,666**	849,689,823
Other liabilities and provisions	5	**567,093,181**	367,251,338
	Total	**8,638,401,917**	7,407,960,728
ASSETS			
Cash and balances with Reserve Bank of India	6	**378,968,755**	300,583,087
Balances with banks and money at call and short notice	7	**110,552,196**	88,605,293
Investments	8	**2,144,633,366**	1,958,362,768
Advances	9	**5,545,682,021**	4,645,939,589
Fixed assets	10	**36,267,379**	33,431,573
Other assets	11	**422,298,200**	381,038,418
	Total	**8,638,401,917**	7,407,960,728
Contingent liabilities	12	**8,178,695,893**	8,533,181,145
Bills for collection		**308,480,352**	234,899,997
Significant accounting policies and notes to the financial statements	17 & 18		

The schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date.

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005

Mumbai, April 21, 2017

For and on behalf of the Board

Shyamala Gopinath
Chairperson

Paresh Sukthankar
Deputy Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Aditya Puri
Managing Director

Kaizad Bharucha
Executive Director

Sashidhar Jagdishan
Chief Financial Officer

Anami Roy
Bobby Parikh
Keki Mistry
Malay Patel
Partho Datta
Renu Karnad
Srikanth Nadhamuni
Umesh Sarangi
Directors

HDFC BANK
We understand your world

Statement of Profit and Loss

For the year ended March 31, 2017

₹ in '000

		Schedule	Year ended 31-Mar-17	Year ended 31-Mar-16
I	**INCOME**			
	Interest earned	13	**693,059,578**	602,214,451
	Other income	14	**122,964,990**	107,517,233
		Total	**816,024,568**	709,731,684
II	**EXPENDITURE**			
	Interest expended	15	**361,667,334**	326,299,330
	Operating expenses	16	**197,033,442**	169,797,000
	Provisions and contingencies		**111,827,380**	90,673,223
		Total	**670,528,156**	586,769,553
III	**PROFIT**			
	Net profit for the year		**145,496,412**	122,962,131
	Balance in Profit and Loss account brought forward		**235,276,891**	186,277,944
		Total	**380,773,303**	309,240,075
IV	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		**36,374,103**	30,740,533
	Proposed dividend [Refer Schedule 18(2)]		**-**	24,017,772
	Tax (including cess) on dividend [Refer Schedule 18(2)]		**-**	4,889,453
	Dividend (including tax / cess thereon) pertaining to previous year paid during the year, net of dividend tax credits		**(16,909)**	(117,135)
	Transfer to General Reserve		**14,549,641**	12,296,213
	Transfer to Capital Reserve		**3,134,100**	2,221,532
	Transfer to / (from) Investment Reserve Account		**42,934**	(85,184)
	Balance carried over to Balance Sheet		**326,689,434**	235,276,891
		Total	**380,773,303**	309,240,075
V	**EARNINGS PER EQUITY SHARE (Face value ₹ 2 per share)**		₹	₹
	Basic		**57.18**	48.84
	Diluted		**56.43**	48.26
	Significant accounting policies and notes to the financial 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 Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005

Mumbai, April 21, 2017

For and on behalf of the Board

Shyamala Gopinath
Chairperson

Paresh Sukthankar
Deputy Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

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Managing Director

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Chief Financial Officer

Anami Roy
Bobby Parikh
Keki Mistry
Malay Patel
Partho Datta
Renu Karnad
Srikanth Nadhamuni
Umesh Sarangi
Directors

Cash Flow Statement

For the year ended March 31, 2017

₹ in '000

	Year ended 31-Mar-17	Year ended 31-Mar-16
Cash flows from operating activities		
Profit before income tax	**221,390,750**	186,379,247
Adjustments for:		
Depreciation on fixed assets	**8,331,247**	7,058,390
(Profit) / loss on revaluation of investments	**(87,543)**	173,689
Amortisation of premia on held to maturity investments	**1,756,569**	1,002,801
(Profit) / loss on sale of fixed assets	**14,735**	626
Provision / charge for non performing assets	**33,443,592**	22,963,803
Provision for dimunition in value of investment	**(76,417)**	151,722
Floating provisions	**250,000**	1,150,000
Provision for standard assets	**3,921,811**	4,399,962
Dividend from subsidiaries / associates / joint ventures	**(1,628,640)**	(1,490,542)
Contingency provisions	**384,640**	218,102
	267,700,744	222,007,800
Adjustments for:		
(Increase) / decrease in investments	**(177,259,533)**	(391,352,982)
(Increase) / decrease in advances	**(933,161,021)**	(1,015,961,758)
Increase / (decrease) in deposits	**972,154,643**	956,285,495
(Increase) / decrease in other assets	**(38,752,713)**	(37,562,160)
Increase / (decrease) in other liabilities and provisions	**223,763,890**	32,720,884
	314,446,010	(233,862,721)
Direct taxes paid (net of refunds)	**(78,591,989)**	(67,459,133)
Net cash flow (used in) / from operating activities	**235,854,020**	(301,321,854)
Cash flows used in investing activities		
Purchase of fixed assets	**(10,681,751)**	(8,159,133)
Proceeds from sale of fixed assets	**94,269**	111,518
Investment in subsidiaries / associates / joint ventures	**(10,603,674)**	-
Dividend from subsidiaries / associates / joint ventures	**1,628,640**	1,490,542
Net cash used in investing activities	**(19,562,516)**	(6,557,074)

For the year ended March 31, 2017

₹ in '000

	Year ended 31-Mar-17	Year ended 31-Mar-16
Cash flows from financing activities		
Money received on exercise of stock options by employees	**22,615,161**	12,229,008
Increase / (decrease) in borrowings (excluding subordinate debt, perpetual debt and upper Tier II instruments)	**(90,316,657)**	357,278,283
Redemption of subordinated debt	**(19,084,500)**	(12,020,000)
Dividend paid during the year	**(24,083,093)**	(20,091,666)
Tax on dividend	**(4,807,223)**	(3,925,269)
Net cash generated from financing activities	**(115,676,312)**	333,470,356
Effect of exchange fluctuation on translation reserve	**(282,622)**	282,433
Net increase / (decrease) in cash and cash equivalents	**100,332,571**	25,873,862
Cash and cash equivalents as at April 1st	**389,188,380**	363,314,518
Cash and cash equivalents as at March 31st	**489,520,951**	389,188,380

As per our report of even date.

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005

Mumbai, April 21, 2017

For and on behalf of the Board

Shyamala Gopinath
Chairperson

Aditya Puri
Managing Director

Paresh Sukthankar
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Chief Financial Officer

Anami Roy
Bobby Parikh
Keki Mistry
Malay Patel
Partho Datta
Renu Karnad
Srikanth Nadhamuni
Umesh Sarangi
Directors

As at March 31, 2017

		As at 31-Mar-17	As at 31-Mar-16
			₹ in '000
SCHEDULE 1 - CAPITAL			
Authorised capital			
3,25,00,00,000 (31 March, 2016: 2,75,00,00,000) Equity Shares of ₹ 2/- each		**6,500,000**	5,500,000
Issued, subscribed and paid-up capital			
2,56,25,45,717 (31 March, 2016: 2,52,81,86,517) Equity Shares of ₹ 2/- each		**5,125,091**	5,056,373
	Total	**5,125,091**	5,056,373
SCHEDULE 2 - RESERVES AND SURPLUS			
I **Statutory reserve**			
Opening balance		**147,384,755**	116,644,222
Additions during the year		**36,374,103**	30,740,533
	Total	**183,758,858**	147,384,755
II **General reserve**			
Opening balance		**57,119,509**	44,823,296
Additions during the year		**14,549,641**	12,296,213
	Total	**71,669,150**	57,119,509
III **Balance in profit and loss account**		**326,689,434**	235,276,891
IV **Share premium account**			
Opening balance		**261,716,858**	249,531,232
Additions during the year		**22,546,443**	12,185,626
	Total	**284,263,301**	261,716,858
V **Amalgamation reserve**			
Opening balance		**10,635,564**	10,635,564
Additions during the year		**-**	-
	Total	**10,635,564**	10,635,564
VI **Capital reserve**			
Opening balance		**8,866,583**	6,645,051
Additions during the year		**3,134,100**	2,221,532
	Total	**12,000,683**	8,866,583
VII **Investment reserve account**			
Opening balance		**399,084**	484,268
Additions during the year		**109,506**	76
Deductions during the year		**(66,572)**	(85,260)
	Total	**442,018**	399,084
VIII **Foreign currency translation account**			
Opening balance		**322,030**	39,597
Additions / (deductions) during the year		**(282,622)**	282,433
	Total	**39,408**	322,030
	Total	**889,498,416**	721,721,274

As at March 31, 2017

		As at 31-Mar-17	As at 31-Mar-16
			₹ in '000
SCHEDULE 3 - DEPOSITS			
A I Demand deposits			
(i) From banks		**20,806,377**	22,017,200
(ii) From others		**1,134,932,192**	862,229,501
	Total	**1,155,738,569**	884,246,701
II Savings bank deposits		**1,935,786,335**	1,478,861,798
III Term deposits			
(i) From banks		**53,520,609**	25,095,540
(ii) From others		**3,291,351,050**	3,076,037,881
	Total	**3,344,871,659**	3,101,133,421
	Total	**6,436,396,563**	5,464,241,920
B I Deposits of branches in India		**6,396,405,854**	5,397,071,812
II Deposits of branches outside India		**39,990,709**	67,170,108
	Total	**6,436,396,563**	5,464,241,920
SCHEDULE 4 - BORROWINGS			
I Borrowings in India			
(i) Reserve Bank of India		**-**	319,505,077
(ii) Other banks		**21,202,156**	15,792,856
(iii) Other institutions and agencies		**224,500,000**	-
(iv) Upper and lower tier II capital and innovative perpetual debts		**131,820,000**	144,279,000
(v) Bonds and Debentures (excluding subordinated debt)		**126,750,000**	59,750,000
	Total	**504,272,156**	539,326,933
II Borrowings outside India*		**236,016,510**	310,362,890
	Total	**740,288,666**	849,689,823

**Includes Upper Tier II debt of Nil (previous year: ₹ 662.55 crore)*
Secured borrowings included in I & II above: Nil (previous year: Nil)

		As at 31-Mar-17	As at 31-Mar-16
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS			
I Bills payable		**166,670,863**	73,784,974
II Interest accrued		**38,488,877**	35,987,631
III Others *(including provisions)*		**338,011,290**	208,559,451
IV Contingent provisions against standard assets		**23,922,151**	20,012,057
V Proposed dividend *(including tax on dividend) [Refer Schedule 18(2)]*		**-**	28,907,225
	Total	**567,093,181**	367,251,338

As at March 31, 2017

		As at 31-Mar-17	₹ in '000 As at 31-Mar-16
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA			
I Cash in hand *(including foreign currency notes)*		**42,635,945**	55,694,577
II Balances with Reserve Bank of India:			
(a) In current accounts		**284,332,810**	242,888,510
(b) In other accounts		**52,000,000**	2,000,000
	Total	**336,332,810**	244,888,510
	Total	**378,968,755**	300,583,087
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I In India			
(i) Balances with banks:			
(a) In current accounts		**5,107,980**	2,380,626
(b) In other deposit accounts		**6,686,831**	6,824,510
	Total	**11,794,811**	9,205,136
(ii) Money at call and short notice:			
(a) With banks		**-**	-
(b) With other institutions		**-**	1,359,867
	Total	**-**	1,359,867
	Total	**11,794,811**	10,565,003
II Outside India			
(i) In current accounts		**36,772,777**	23,909,955
(ii) In deposit accounts		**2,529,150**	3,776,535
(iii) Money at call and short notice		**59,455,458**	50,353,800
	Total	**98,757,385**	78,040,290
	Total	**110,552,196**	88,605,293
SCHEDULE 8 - INVESTMENTS			
A Investments in India in			
(i) Government securities		**1,624,186,994**	1,576,610,655
(ii) Other approved securities		-	-
(iii) Shares		**1,113,742**	739,032
(iv) Debentures and bonds		**194,698,472**	48,873,774
(v) Subsidiaries / joint ventures		**38,433,239**	27,829,565
(vi) Others (Units, CDs / CPs, PTCs and security receipts)		**275,020,773**	290,582,987
	Total	**2,133,453,220**	1,944,636,013
B Investments outside India in			
Other investments			
(a) Shares		**28,375**	28,375
(b) Debentures and bonds		**11,151,771**	13,698,380
	Total	**11,180,146**	13,726,755
	Total	**2,144,633,366**	1,958,362,768

As at March 31, 2017

₹ in '000

		As at 31-Mar-17	As at 31-Mar-16
C Investments			
(i) Gross value of investments			
(a) In India		**2,134,071,702**	1,945,831,421
(b) Outside India		**11,206,487**	13,726,755
	Total	**2,145,278,189**	1,959,558,176
(ii) Provision for depreciation			
(a) In India		**618,482**	1,195,408
(b) Outside India		**26,341**	-
	Total	**644,823**	1,195,408
(iii) Net value of investments			
(a) In India		**2,133,453,220**	1,944,636,013
(b) Outside India		**11,180,146**	13,726,755
	Total	**2,144,633,366**	1,958,362,768

SCHEDULE 9 - ADVANCES

		As at 31-Mar-17	As at 31-Mar-16
A (i) Bills purchased and discounted		**287,159,641**	185,136,903
(ii) Cash credits, overdrafts and loans repayable on demand		**1,336,174,162**	1,242,774,115
(iii) Term loans		**3,922,348,218**	3,218,028,571
	Total	**5,545,682,021**	4,645,939,589
B (i) Secured by tangible assets*		**4,108,555,199**	3,458,703,399
(ii) Covered by bank / government guarantees		**107,864,309**	114,128,823
(iii) Unsecured		**1,329,262,513**	1,073,107,367
	Total	**5,545,682,021**	4,645,939,589

** Including advances against book debts*

		As at 31-Mar-17	As at 31-Mar-16
C I Advances in India			
(i) Priority sector		**1,625,180,583**	1,417,909,585
(ii) Public sector		**157,741,065**	134,556,082
(iii) Banks		**9,092,668**	4,659,631
(iv) Others		**3,555,635,492**	2,767,906,764
	Total	**5,347,649,808**	4,325,032,062
C II Advances outside India			
(i) Due from banks		**6,500,391**	6,879,777
(ii) Due from others			
(a) Bills purchased and discounted		**2,560,707**	1,245,263
(b) Syndicated loans		**17,845,564**	38,624,247
(c) Others		**171,125,551**	274,158,240
	Total	**198,032,213**	320,907,527
	Total	**5,545,682,021**	4,645,939,589

(Advances are net of provisions)

As at March 31, 2017

		As at 31-Mar-17	As at 31-Mar-16
			₹ in '000
SCHEDULE 10 - FIXED ASSETS			
A Premises *(including land)*			
Gross block			
At cost on 31 March of the preceding year		**15,511,704**	14,756,943
Additions during the year		**669,442**	839,927
Deductions during the year		**(70,347)**	(85,166)
	Total	**16,110,799**	15,511,704
Depreciation			
As at 31 March of the preceding year		**4,246,842**	3,764,471
Charge for the year		**590,691**	551,090
On deductions during the year		**(59,060)**	(68,719)
	Total	**4,778,473**	4,246,842
Net block		**11,332,326**	11,264,862
B Other fixed assets *(including furniture and fixtures)*			
Gross block			
At cost on 31 March of the preceding year		**72,467,567**	65,329,178
Additions during the year		**10,604,552**	8,548,465
Deductions during the year		**(2,153,212)**	(1,410,076)
	Total	**80,918,907**	72,467,567
Depreciation			
As at 31 March of the preceding year		**50,300,856**	45,104,307
Charge for the year		**7,738,599**	6,510,901
On deductions during the year		**(2,055,601)**	(1,314,352)
	Total	**55,983,854**	50,300,856
Net block		**24,935,053**	22,166,711
C Assets on lease *(plant and machinery)*			
Gross block			
At cost on 31 March of the preceding year		**4,546,923**	4,546,923
Additions during the year		**-**	-
	Total	**4,546,923**	4,546,923

As at March 31, 2017

₹ in '000

		As at 31-Mar-17	As at 31-Mar-16
Depreciation			
As at 31 March of the preceding year		**4,104,467**	4,104,467
Charge for the year		**-**	-
	Total	**4,104,467**	4,104,467
Lease adjustment account			
As at 31 March of the preceding year		**442,456**	442,456
Charge for the year		**-**	-
	Total	**442,456**	442,456
Unamortised cost of assets on lease		**-**	-
	Total	**36,267,379**	33,431,573

SCHEDULE 11 - OTHER ASSETS

			As at 31-Mar-17	As at 31-Mar-16
I	Interest accrued		**83,095,335**	75,482,713
II	Advance tax / tax deducted at source (net of provisions)		**17,442,504**	17,646,013
III	Stationery and stamps		**267,871**	220,786
IV	Non banking assets acquired in satisfaction of claims		**-**	-
V	Bond and share application money pending allotments		**-**	-
VI	Security deposit for commercial and residential property		**4,934,536**	4,626,811
VII	Others*		**316,557,954**	283,062,095
		Total	**422,298,200**	381,038,418

**Includes deferred tax asset (net) of ₹ 2,447.34 crore (previous year: ₹ 2,116.62 crore) and deposits placed with NABARD / SIDBI / NHB on account of shortfall in lending to priority sector of ₹ 11,882.37 crore (previous year: ₹ 13,719.68 crore)*

SCHEDULE 12 - CONTINGENT LIABILITIES

			As at 31-Mar-17	As at 31-Mar-16
I	Claims against the bank not acknowledged as debts - taxation		**10,721,500**	11,877,300
II	Claims against the bank not acknowledged as debts - others		**1,081,701**	762,010
III	Liability on account of outstanding forward exchange contracts		**4,699,301,366**	5,290,757,746
IV	Liability on account of outstanding derivative contracts		**2,723,068,634**	2,570,471,528
V	Guarantees given on behalf of constituents:			
	- In India		**366,232,012**	301,311,242
	- Outside India		**953,405**	31,094,714
VI	Acceptances, endorsements and other obligations		**359,613,744**	317,525,754
VII	Other items for which the Bank is contingently liable		**17,723,531**	9,380,851
		Total	**8,178,695,893**	8,533,181,145

For the year ended March 31, 2017

			₹ in '000
		Year ended 31-Mar-17	Year ended 31-Mar-16
SCHEDULE 13 - INTEREST EARNED			
I	Interest / discount on advances / bills	**520,552,624**	448,278,559
II	Income from investments	**159,443,391**	141,200,321
III	Interest on balance with RBI and other inter-bank funds	**5,320,205**	3,616,100
IV	Others	**7,743,358**	9,119,471
	Total	**693,059,578**	602,214,451
SCHEDULE 14 - OTHER INCOME			
I	Commission, exchange and brokerage	**88,115,530**	77,590,448
II	Profit / (loss) on sale of investments (net)	**11,306,936**	7,491,483
III	Profit / (loss) on revaluation of investments (net)	**87,543**	(173,689)
IV	Profit / (loss) on sale of building and other assets (net)	**(14,735)**	(626)
V	Profit / (loss) on exchange / derivative transactions (net)	**12,633,895**	12,277,267
VI	Income earned by way of dividends from subsidiaries / associates and / or joint ventures abroad / in India	**1,628,640**	1,490,542
VII	Miscellaneous income	**9,207,181**	8,841,808
	Total	**122,964,990**	107,517,233
SCHEDULE 15 - INTEREST EXPENDED			
I	Interest on deposits	**313,314,571**	291,782,889
II	Interest on RBI / inter-bank borrowings	**46,727,790**	33,664,532
III	Other interest	**1,624,973**	851,909
	Total	**361,667,334**	326,299,330
SCHEDULE 16 - OPERATING EXPENSES			
I	Payments to and provisions for employees	**64,836,646**	57,021,980
II	Rent, taxes and lighting	**13,373,647**	12,326,423
III	Printing and stationery	**4,757,998**	4,234,603
IV	Advertisement and publicity	**2,046,418**	2,483,938
V	Depreciation on bank's property	**8,331,247**	7,058,390
VI	Directors' fees / remuneration, allowances and expenses	**32,021**	25,761
VII	Auditors' fees and expenses	**25,758**	19,331
VIII	Law charges	**1,249,095**	998,702
IX	Postage, telegram, telephone etc.	**4,149,947**	3,997,235
X	Repairs and maintenance	**12,562,041**	10,287,303
XI	Insurance	**6,906,612**	5,613,318
XII	Other expenditure*	**78,762,012**	65,730,016
	Total	**197,033,442**	169,797,000

**Includes professional fees, commission to sales agents, card and merchant acquiring expenses and system management fees.*

For the year ended March 31, 2017

SCHEDULE 17 - Significant accounting policies appended to and forming part of the financial statements for the year ended March 31, 2017

A BACKGROUND

HDFC Bank Limited ('HDFC Bank' or 'the Bank'), incorporated in Mumbai, India is a publicly held banking company engaged in providing a range of banking and financial services including retail banking, wholesale banking and treasury operations. The Bank is governed by the Banking Regulation Act, 1949 and the Companies Act, 2013. The Bank has overseas branch operations in Bahrain, Hong Kong and Dubai. The financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by branches of the Bank.

B BASIS OF PREPARATION

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') specified under Section 133 of the Companies Act, 2013, in so far as they apply to banks and current practices prevailing within the banking industry in India.

Use of estimates

The preparation of financial statements in conformity with GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

C PRINCIPAL ACCOUNTING POLICIES

1 Investments

Classification:

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

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

Basis of classification:

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

Acquisition cost:

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

Disposal of investments:

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

Short sale:

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

Valuation:

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

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

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

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

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

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

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

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

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

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

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

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

Repo and reverse repo transactions:

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

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

2 Advances

Classification:

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

Provisioning:

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

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

In accordance with RBI guidelines, accelerated provision is made on non-performing advances which were not earlier reported by the Bank as Special Mention Account under "SMA-2" category to Central Repository of Information on Large Credits (CRILC). Accelerated provision is also made on non-performing advances which are erstwhile SMA-2 accounts with Aggregate Exposure (AE) ₹ 1,000 million or above and Joint Lenders' Forum (JLF) is not formed or they fail to agree upon a common Corrective Action Plan (CAP) within the stipulated time frame.

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

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

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

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

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

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

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would

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normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines. Restructuring of an account is done at a borrower level.

3 Securitisation and transfer of assets

The Bank securitises out its receivables to Special Purpose Vehicles ('SPVs') in securitisation transactions. Such securitised-out receivables are de-recognised in the balance sheet when they are sold (true sale criteria being fully met with) and consideration is received by the Bank. Sales / Transfers that do not meet these criteria for surrender of control are accounted for as secured borrowings. In respect of receivable pools securitised-out, the Bank provides liquidity and credit enhancements, as specified by the rating agencies, in the form of cash collaterals / guarantees and / or by subordination of cash flows in line with RBI guidelines. The Bank also acts as a servicing agent for receivable pools securitised-out.

The Bank also enters into transactions for transfer of standard assets through the direct assignment of cash flows, which are similar to asset-backed securitisation transactions through the SPV route, except that such portfolios of receivables are assigned directly to the purchaser and are not represented by Pass Through Certificates ('PTCs').

The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines. The Bank amortises any profit received for every individual securitisation or direct assignment transaction based on the method prescribed in these guidelines.

In relation to securitisation transactions undertaken prior to the aforementioned RBI guidelines, including those undertaken through the direct assignment route, the Bank continues to amortise the profit / premium that arose on account of sale of receivables over the life of the securities sold, in accordance with the RBI guidelines on securitisation of standard assets issued vide its circular dated February 1, 2006.

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

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

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfillment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfillment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as 'Miscellaneous Income' and the fee paid for purchase of the PSLCs is recorded as 'Other Expenditure' in Statement of Profit and Loss.

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

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

4 Fixed assets and depreciation

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

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

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

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

5 Impairment of assets

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

6 Transactions involving foreign exchange

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

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

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

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

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

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

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

7 Derivative contracts

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

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

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

8 Revenue recognition

Interest income is recognised in the Statement of Profit and Loss on an accrual basis, except in the case of non-performing assets and loan accounts where restructuring has been approved by the RBI under Strategic Debt Restructuring (SDR) scheme where it is recognised upon realisation as per RBI norms.

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

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

Loan processing fee is recognised as income when due. Syndication / Arranger fee is recognised as income when a significant act / milestone is completed.

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

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

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

9 Employee benefits

Employee Stock Option Scheme ('ESOS'):

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

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

Gratuity:

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

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

Superannuation:

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

Provident fund:

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

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

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

Leave encashment / Compensated absences:

The Bank does not have a policy of encashing unavailed leave for its employees, except for certain eLKB employees under Indian Banks' Association ('IBA') structure. The Bank provides for leave encashment / compensated absences based on an independent actuarial valuation at the Balance Sheet date, which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation.

Pension:

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

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

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

10 Debit and credit cards reward points

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

11 Bullion

The Bank imports bullion including precious metal bars on a consignment basis for selling to its wholesale and retail customers. The imports are typically on a back-to-back basis and are priced to the customer based on an estimated price quoted by the supplier. The Bank earns a fee on such wholesale bullion transactions. The fee is classified under commission income.

The Bank also deals in bullion on a borrowing and lending basis and the interest paid / received thereon is classified as interest expense / income respectively.

12 Lease accounting

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

13 Income tax

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

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

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

14 Earnings per share

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

15 Share issue expenses

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

16 Segment information

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

17 Accounting for provisions, contingent liabilities and contingent assets

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

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

A disclosure of contingent liability is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

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

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

Onerous contracts

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

18 Cash and cash equivalents

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

19 Corporate social responsibility

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

For the year ended March 31, 2017

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2017

Amounts in notes forming part of the financial statements for the year ended March 31, 2017 are denominated in rupee crore to conform to extant RBI guidelines.

1 Change in classification

Pursuant to RBI circular dated May 19, 2016, the Bank has, included its repurchase / reverse repurchase transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) with RBI under 'Borrowings from RBI' / 'Balances with RBI', as the case may be. Hitherto, these transactions were netted from / included under 'Investments'. Figures of the previous year have been regrouped / reclassified to conform to current year's classification. The above change in classification has no impact on the profit of the Bank for the years ended March 31, 2017 and March 31, 2016.

2 Proposed dividend

The Board of Directors, at their meeting held on April 21, 2017 have proposed a dividend of ₹ 11.00 per equity share aggregating ₹ 3,392.71 crore, inclusive of tax on dividend. The proposal is subject to the approval of shareholders at the Annual General Meeting. In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated proposed dividend from Statement of Profit and Loss for the year ended March 31, 2017. Accordingly, the proposed dividend and the tax thereon, under Appropriations in the Statement of Profit and Loss is lower by ₹ 2,818.80 crore and ₹ 573.91 crore respectively and the balance of Other Liabilities is lower by an equivalent amount as at March 31, 2017. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of the capital adequacy ratio as at March 31, 2017.

3 Capital adequacy

The Bank's capital to risk-weighted asset ratio ('Capital Adequacy Ratio') as at March 31, 2017 is calculated in accordance with the RBI's guidelines on Basel III capital regulations ('Basel III'). The phasing in of the minimum capital ratio requirement under Basel III is as follows:

(% of RWAs)

Minimum ratio of capital to risk-weighted assets	As on March 31,			
	2016	2017	2018	2019
Common equity tier I	6.125	6.750	7.375	8.000
Tier I capital	7.625	8.250	8.875	9.500
Total capital	9.625	10.250	10.875	11.500

The above minimum CET1, Tier I and Total capital ratio requirement includes capital conservation buffer.

The Bank's capital adequacy ratio computed under Basel III is given below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Tier I capital	81,829.30	70,032.52
Of which common equity tier I capital	81,829.30	70,032.52
Tier II capital	11,302.66	12,243.44
Total capital	93,131.96	82,275.96
Total risk weighted assets	640,029.93	529,768.14
Capital adequacy ratios under Basel III		
Tier I	12.79%	13.22%
Of which common equity tier I	12.79%	13.22%
Tier II	1.76%	2.31%
Total	**14.55%**	**15.53%**

The Bank has not raised any additional tier I and tier II capital during the years ended March 31, 2017 and March 31, 2016.

Subordinated debt (lower Tier II capital), upper Tier II capital and innovative perpetual debt instruments outstanding as at March 31, 2017 are ₹ 10,402.00 crore (previous year: ₹ 10,812.00 crore), ₹ 2,780.00 crore (previous year: ₹ 4,078.45 crore) and nil (previous year: ₹ 200.00 crore) respectively.

In accordance with RBI guidelines, banks are required to make Pillar 3 disclosures under Basel III capital regulations. The Bank's Pillar 3 disclosures are available on its website at the following link: http://www.hdfcbank.com/aboutus/basel_disclosures/default.htm. These Pillar 3 disclosures have not been subjected to audit or review by the statutory auditors.

Capital infusion

During the year ended March 31, 2017, the Bank allotted 3,43,59,200 equity shares (previous year: 2,16,91,200 equity shares) aggregating to face value ₹ 6.87 crore (previous year: ₹ 4.34 crore) in respect of stock options exercised. Accordingly, share capital increased by ₹ 6.87 crore (previous year: ₹ 4.34 crore) and share premium increased by ₹ 2,254.64 crore (previous year: ₹ 1,218.56 crore).

Details of movement in the paid-up equity share capital of the Bank are given below: **(₹ crore)**

Particulars	**March 31, 2017**	**March 31, 2016**
Opening balance	505.64	501.30
Addition pursuant to stock options exercised	6.87	4.34
Closing balance	512.51	505.64

4 Earnings per equity share

Basic and diluted earnings per equity share have been calculated based on the net profit after taxation of ₹ 14,549.66 crore (previous year: ₹ 12,296.23 crore) and the weighted average number of equity shares outstanding during the year of 2,54,43,33,609 (previous year: 2,51,74,29,120).

Following is the reconciliation between basic and diluted earnings per equity share:

Particulars	**For the years ended**	
	March 31, 2017	**March 31, 2016**
Nominal value per share (₹)	2.00	2.00
Basic earnings per share (₹)	57.18	48.84
Effect of potential equity shares (per share) (₹)	(0.75)	(0.58)
Diluted earnings per share (₹)	56.43	48.26

Basic earnings per equity share has been computed by dividing net profit for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share has been computed by dividing the net profit for the year attributable to the equity shareholders by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. The dilutive impact is on account of stock options granted to employees by the Bank. There is no impact of dilution on the profits in the current year and previous year.

Following is the reconciliation of weighted average number of equity shares used in the computation of basic and diluted earnings per share:

Particulars	**For the years ended**	
	March 31, 2017	**March 31, 2016**
Weighted average number of equity shares used in computing basic earnings per equity share	2,54,43,33,609	2,51,74,29,120
Effect of potential equity shares outstanding	3,40,55,428	3,04,43,320
Weighted average number of equity shares used in computing diluted earnings per equity share	2,57,83,89,037	2,54,78,72,440

5 Reserves and Surplus

Draw down from reserves

Share Premium

The Bank has not undertaken any drawdown from reserves during the years ended March 31, 2017 and March 31, 2016.

Statutory Reserve

The Bank has made an appropriation of ₹ 3,637.41 crore (previous year: ₹ 3,074.05 crore) out of profits for the year ended March 31, 2017 to Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

Capital Reserve

During the year ended March 31, 2017, the Bank appropriated ₹ 313.41 crore (previous year: ₹ 222.15 crore), being the profit from sale of investments under HTM category and profit on sale of immovable properties, net of taxes and transfer to statutory reserve, from Profit and Loss Account to Capital Reserve Account.

General Reserve

The Bank has made an appropriation of ₹ 1,454.96 crore (previous year: ₹ 1,229.62 crore) out of profits for the year ended March 31, 2017 to General Reserve.

Investment Reserve Account

During the year ended March 31, 2017, the Bank has appropriated ₹ 4.29 crore (net) from Profit and Loss Account to Investment Reserve Account as per RBI guidelines. In the previous year, the Bank had transferred ₹ 8.52 crore (net) from Investment Reserve Account to Profit and Loss Account as per RBI guidelines.

6 Dividend on shares allotted pursuant to exercise of stock options

The Bank may allot equity shares after the Balance Sheet date but before the book closure date pursuant to the exercise of any employee stock options. These equity shares will be eligible for full dividend for the year ended March 31, 2017, if approved at the ensuing Annual General Meeting.

7 Accounting for employee share based payments

The shareholders of the Bank approved grant of equity share options under Plan "C" in June 2005, Plan "D" in June 2007, Plan "E" in June 2010, Plan "F" in June 2013 and Plan "G" in July 2016. Under the terms of each of these Plans, the Bank may issue to its employees and Whole Time Directors, Equity Stock Options ('ESOPs') each of which is convertible into one equity share. All the plans were framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time and as applicable at the time of grant. Accounting for the stock options has been in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014 to the extent applicable.

Plans C, D, E, F and G provide for the issuance of options at the recommendation of the Nomination & Remuneration Committee at the closing price on the working day immediately preceding the date when options are granted. This closing price is the closing price of the Bank's equity share on an Indian stock exchange with the highest trading volume as of the working day preceding the date of grant.

Vesting conditions applicable to the options are at the discretion of the Nomination & Remuneration Committee. These options are exercisable on vesting, for a period as set forth by the Nomination & Remuneration Committee at the time of grant. The period in which options may be exercised cannot exceed five years. During the years ended March 31, 2017 and March 31, 2016, no modifications were made to the terms and conditions of ESOPs as approved by the Nomination & Remuneration Committee.

Activity in the options outstanding under the Employee Stock Option Plans

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2017:

Particulars	Number of options	Weighted average exercise price (₹)
Options outstanding, beginning of year	12,86,54,300	840.19
Granted during the year	-	-
Exercised during the year	3,43,59,200	658.20
Forfeited / Lapsed during the year	21,38,800	972.97
Options outstanding, end of year	9,21,56,300	904.97
Options exercisable	5,63,14,000	835.06

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2016:

Particulars	Number of options	Weighted average exercise price (₹)
Options outstanding, beginning of year	10,90,33,000	683.16
Granted during the year	4,48,36,200	1,092.65
Exercised during the year	2,16,91,200	563.78
Forfeited / Lapsed during the year	35,23,700	895.09
Options outstanding, end of year	12,86,54,300	840.19
Options exercisable	4,96,81,000	661.84

- Following table summarises the information about stock options outstanding as at March 31, 2017:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan C	680.00 to 835.50	46,44,400	2.34	690.91
Plan D	680.00	33,34,300	2.33	680.00
Plan E	468.40 to 680.00	1,50,94,600	2.18	650.01
Plan F	835.50 to 1,097.80	6,90,83,000	3.90	985.92

- Following table summarises the information about stock options outstanding as at March 31, 2016:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan C	680.00 to 835.50	57,40,800	3.34	693.00
Plan D	680.00	51,33,900	3.32	680.00
Plan E	440.16 to 680.00	3,78,50,200	2.49	598.71
Plan F	835.50 to 1,097.80	7,99,29,400	4.80	975.41

Fair value methodology

The fair value of options used to compute *proforma* net income and earnings per equity share have been estimated on the dates of each grant using the binomial option-pricing model. The Bank estimates the volatility based on the historical share prices. No stock options were granted during the year ended March 31, 2017 (previous year: 4,48,36,200). The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2016 were:

Particulars	**March 31, 2016**
Dividend yield	0.73%
Expected volatility	23.29% to 26.46%
Risk-free interest rate	7.71% to 8.07%
Expected life of the options	1 to 7 years

Impact of fair value method on net profit and Earnings Per Share ('EPS')

Had the compensation cost for the Bank's stock option plans been determined based on the fair value approach, the Bank's net profit and earnings per share would have been as per the *proforma* amounts indicated below:

(₹ crore)

Particulars	**March 31, 2017**	**March 31, 2016**
Net profit (as reported)	14,549.66	12,296.23
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method (*proforma*)	812.75	1,265.93
Net profit (*proforma*)	13,736.91	11,030.30
	(₹)	**(₹)**
Basic earnings per share (as reported)	57.18	48.84
Basic earnings per share (*proforma*)	53.99	43.82
Diluted earnings per share (as reported)	56.43	48.26
Diluted earnings per share (*proforma*)	53.28	43.29

8 Other liabilities

- The Bank held contingent provisions towards standard assets amounting to ₹ 2,392.22 crore as at March 31, 2017 (previous year: ₹ 2,001.21 crore). These are included under other liabilities.

  ✓ Provision for standard assets is made @ 0.25% for direct advances to agriculture and Small and Micro Enterprises (SMEs) sectors, @ 1% for advances to commercial real estate sector, @ 0.75% for advances to commercial real estate - residential housing sector, @ 5% on restructured standard advances, @ 2% until after one year from the date on which the rates are reset at higher rates for housing loans offered at a comparatively lower rate of interest in the first few years and @ 2% on all exposures to the wholly owned step down subsidiaries of the overseas subsidiaries of Indian companies, sanctioned / renewed after December 31, 2015.

  ✓ Provision towards standard advances under Strategic Debt Restructuring (SDR) scheme is made @ 15% till the outstanding loan / facilities in the account perform satisfactorily during the 'specified period' (as defined in the scheme) and @ 5% for accounts classified under special mention account "SMA-2" category, where the Bank under consortium / multiple banking arrangement has the largest Aggregate Exposure (AE) or second largest AE with aggregate exposure of ₹ 1,000 million or above and Joint Lenders' Forum (JLF) is not formed or the JLF fails to agree upon a common corrective action plan within the stipulated time frame.

  ✓ In accordance with regulatory guidelines and based on the information made available by its customers to the Bank, for exposures to customers who have not hedged their foreign currency exposures, provision for standard assets is made at levels ranging up to 0.80% depending on the likely loss the entities could incur on account of exchange rate movements.

- ✓ Provision for standard assets of overseas branches is made at higher of rates prescribed by the overseas regulator or RBI.
- ✓ For all other loans and advances including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, provision for standard assets is made @ 0.40%.

- The Bank has presented gross unrealised gain on foreign exchange and derivative contracts under other assets and gross unrealised loss on foreign exchange and derivative contracts under other liabilities. Accordingly, other liabilities as at March 31, 2017 include unrealised loss on foreign exchange and derivative contracts of ₹ 13,880.38 crore (previous year: ₹ 7,524.88 crore).

9 Unhedged foreign currency exposure

- The Bank has in place a policy and process for managing currency induced credit risk. The credit appraisal memorandum prepared at the time of origination and review of a credit is required to discuss the exchange risk that the customer is exposed to from all sources, including trade related, foreign currency borrowings and external commercial borrowings. It could cover the natural hedge available to the customer as well as other hedging methods adopted by the customer to mitigate exchange risk. For foreign currency loans granted by the Bank beyond a defined threshold the customer will be encouraged to enter into appropriate risk hedging mechanisms with the Bank. Alternatively, the Bank will satisfy itself that the customer has the financial capacity to bear the exchange risk in the normal course of its business and / or has other mitigants to reduce the risk. On a monthly basis, the Bank reviews information on the unhedged portion of foreign currency exposures of customers, whose total foreign currency exposure with the Bank exceeds a defined threshold. Based on the monthly review, the Bank proposes suitable hedging techniques to the customer to contain the risk. A Board approved credit risk rating linked limit on unhedged foreign currency position of customers is applicable when extending credit facilities to a customer. The compliance with the limit is assessed by estimating the extent of drop in a customer's annual EBID due to a potentially large adverse movement in exchange rate impacting the unhedged foreign currency exposure of the customer. Where a breach is observed in such a simulation, the customer is advised to reduce its unhedged exposure.
- In accordance with RBI guidelines, provisions held for standard assets and capital maintained (including capital conservation buffer) by the Bank as at March 31, 2017 in respect of the unhedged foreign currency exposure of customers was ₹ 108.31 crore (previous year: ₹ 114.84 crore) and ₹ 396.86 crore (previous year: ₹ 294.57 crore) respectively.

10 Investments

- **Value of investments:** **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Gross value of investments		
- In India	213,407.17	194,583.15
- Outside India	1,120.65	1,372.68
Provisions for depreciation on investments		
- In India	61.85	119.54
- Outside India	2.63	-
Net value of investments		
- In India	213,345.32	194,463.61
- Outside India	1,118.02	1,372.68

- **Movement in provisions held towards depreciation on investments:** **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Opening balance	119.54	113.99
Add: Provision made during the year	37.33	36.51
Less: Write-off, write back of excess provision during the year	92.39	30.96
Closing balance	64.48	119.54

Movement in provisions held towards depreciation on investments has been reckoned on a yearly basis.

- **Repo transactions**

✓ Details of repo / reverse repo deals (in face value terms) done during the year ended March 31, 2017: **(₹ crore)**

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2017
Securities sold under repo				
1. Corporate debt securities	-	-	-	-
2. Government securities	-	32,620.54	7,445.30	-
Securities purchased under reverse repo				
1. Corporate debt securities	-	132.00	30.74	-
2. Government securities	-	31,413.37	6,900.12	4,690.56

✓ Details of repo / reverse repo deals (in face value terms) done during the year ended March 31, 2016: **(₹ crore)**

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2016
Securities sold under repo				
1. Corporate debt securities	-	-	-	-
2. Government securities	-	32,530.40	11,097.06	31,950.52
Securities purchased under reverse repo				
1. Corporate debt securities	-	211.60	144.49	132.00
2. Government securities	-	20,106.00	2,868.40	-

- **Non-SLR investment portfolio**

✓ Issuer-wise composition of non-SLR investments as at March 31, 2017: **(₹ crore)**

Sr. No.	Issuer	Amount	Extent of private placement#	Extent of "below investment grade" securities#	Extent of "unrated" securities# *	Extent of "unlisted" securities# **
1	Public sector undertakings	2,225.18	2,174.65	-	-	-
2	Financial institutions	1,400.31	1,360.00	-	-	-
3	Banks	700.36	-	-	-	-
4	Private corporate	41,069.41	39,337.27	-	33.51	3,793.61
5	Subsidiaries / Joint ventures	3,843.32	3,843.32	-	-	-
6	Others	2,870.54	2,860.53	-	-	-
7	Provision held towards depreciation	(64.48)				
	Total	**52,044.64**	**49,575.77**	**-**	**33.51**	**3,793.61**

Amounts reported under these columns above are not mutually exclusive.

* *Excludes investments in equity shares and units of equity oriented mutual funds in line with extant RBI guidelines.*

** *Excludes investments in equity shares, units of equity oriented mutual funds, pass through certificates, security receipts, commercial paper and certificate of deposits in line with extant RBI guidelines.*

✓ Issuer-wise composition of non-SLR investments as at March 31, 2016: **(₹ crore)**

Sr. No.	Issuer	Amount	Extent of private placement#	Extent of "below investment grade" securities#	Extent of "unrated" securities# *	Extent of "unlisted" securities# **
1	Public sector undertakings	1,357.71	1,357.71	-	-	-
2	Financial institutions	4,875.28	4,775.38	-	-	-
3	Banks	873.92	1.00	-	-	-
4	Private corporate	24,911.15	23,242.35	-	83.80	431.21
5	Subsidiaries / Joint ventures	2,782.96	2,782.96	-	-	-
6	Others	3,493.73	3,490.73	-	-	-
7	Provision held towards depreciation	(119.54)				
	Total	**38,175.21**	**35,650.13**	**-**	**83.80**	**431.21**

Amounts reported under these columns above are not mutually exclusive.

* *Excludes investments in equity shares and units of equity oriented mutual funds in line with extant RBI guidelines.*

** *Excludes investments in equity shares, units of equity oriented mutual funds, pass through certificates, security receipts, commercial paper and certificate of deposits in line with extant RBI guidelines.*

✓ Non-performing non-SLR investments: **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Opening balance	87.02	101.30
Additions during the year	34.61	19.13
Reductions during the year	70.06	33.41
Closing balance	51.57	87.02
Total provisions held	**38.02**	**84.33**

- **Details of investments category-wise**

  The details of investments held under the three categories viz. Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HTM) are as under: **(₹ crore)**

Particulars	As at March 31, 2017				As at March 31, 2016			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government securities	1,736.34	35,614.27	125,068.09	162,418.70	5,444.11	46,212.83	106,004.14	157,661.08
Other approved securities	-	-	-	-	-	-	-	-
Shares	-	114.21	-	114.21	-	76.74	-	76.74
Debentures and bonds	1,734.61	17,550.42	1,300.00	20,585.03	1,474.90	4,282.31	500.00	6,257.21
Subsidiary / Joint ventures	-	-	3,843.32	3,843.32	-	-	2,782.96	2,782.96
Others	-	27,502.08	-	27,502.08	-	29,058.30	-	29,058.30
Total	**3,470.95**	**80,780.98**	**130,211.41**	**214,463.34**	**6,919.01**	**79,630.18**	**109,287.10**	**195,836.29**

- Other investments as at the Balance Sheet date include commercial paper amounting to ₹ 24,494.53 crore (previous year: ₹ 25,431.18 crore).

- Investments include securities of Face Value (F V) aggregating ₹ 1,520.00 crore (previous year: FV ₹ 1,520.00 crore) which are kept as margin for clearing of securities, of FV ₹ 24,488.31 crore (previous year: FV ₹ 13,729.30 crore) which are kept as margin for Collateralised Borrowing and Lending Obligation (CBLO) and of FV aggregating ₹ 100.00 crore (previous year: FV ₹ 56.00 crore) which are kept as margin for Forex Forward segment - Default Fund with the Clearing Corporation of India Limited (CCIL).

- Investments include securities of FV aggregating ₹ 16.00 crore (previous year: FV ₹ 16.00 crore) which are kept as margin with National Securities Clearing Corporation of India Limited (NSCCIL), of FV aggregating ₹ 13.00 crore (previous year: FV ₹ 13.00 crore) which are kept as margin with Metropolitan Clearing Corporation of India Limited and of FV aggregating ₹ 5.00 crore (previous year: ₹ 1.00 crore) which are kept as margin with Indian Clearing Corporation Limited in the BSE currency derivatives segment.

- Investments having FV aggregating ₹ 42,730.27 crore (previous year: FV ₹ 35,937.22 crore) are kept as margin towards Real Time Gross Settlement (RTGS) and those having FV aggregating ₹ 41,473.92 crore (previous year: ₹ 13,091.46 crore) are kept as margin towards repo transactions with the RBI.

- Investments of FV aggregating ₹ 11.05 crore (previous year: FV ₹ 10.05 crore) are kept as margin for Forex Settlement Default Fund, of FV aggregating ₹ 75.40 crore (previous year: ₹ 85.40 crore) are kept as Cash Margin, of FV aggregating ₹ 65.00 crore (previous year: nil) are kept as margin for Securities Segment Default Fund, of FV aggregating ₹ 25.00 crore (previous year: nil) are kept as margin for CBLO Segment Default Fund and of FV aggregating ₹ 41.00 crore (previous year: ₹ 11.00 crore) are kept as margin for Rupee Derivatives Guaranteed Settlement Default Fund with CCIL.

- The Bank has made investments in certain companies wherein it holds more than 25% of the equity shares of those companies. Such investments do not fall within the definition of a joint venture as per AS-27, Financial Reporting of Interest in Joint Ventures and the said accounting standard is thus not applicable. However, pursuant to RBI guidelines, the Bank has classified and disclosed these investments as joint ventures.

- During the year ended March 31, 2017, the aggregate book value of investment sold from, and transferred to / from, HTM category was in excess of 5% of the book value of investments held in HTM category at the beginning of the year. The market value of investments (excluding investments in subsidiaries / joint ventures and Non SLR bonds) under HTM category as at March 31, 2017 was ₹ 128,886.02 crore and was higher than the book value thereof as at that date. In accordance with the RBI guidelines, sale from, and transfer to / from, HTM category excludes the:

  ✓ one-time transfer of the securities permitted to be undertaken by banks at the beginning of the accounting year with approval of the Board of Directors;

  ✓ sales to the RBI under pre-announced open market operation auctions; and

  ✓ repurchase of Government securities by Government of India from banks.

  ✓ sale of securities or transfer to AFS / HFT consequent to the reduction of ceiling on SLR securities under HTM at the beginning of January, July and September 2016, in addition to the shifting permitted at the beginning of the accounting year, i.e, April 2016.

11 Derivatives

- **Forward Rate Agreements (FRA) / Interest Rate Swaps (IRS)*:** **(₹ crore)**

Sr. No.	Particulars	March 31, 2017	March 31, 2016
i)	The total notional principal of swap agreements	238,644.16	220,137.21
ii)	Total losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	917.35	912.36
iii)	Concentration of credit risk arising from swaps**	69.96%	83.02%
iv)	Collateral required by the Bank upon entering into swaps	-	-
v)	The fair value of the swap book	45.32	(48.40)

** Interest Rate Swaps are comprised of INR Interest Rate Swaps and FCY Interest Rate Swaps.*

*** Concentration of credit risk arising from swaps is with banks as at March 31, 2017 and March 31, 2016.*

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The nature and terms of rupee IRS as on March 31, 2017 are set out below:

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	6	225.00	INBMK	Fixed receivable v/s floating payable
Trading	6	375.00	INBMK	Floating receivable v/s fixed payable
Trading	4	1,250.00	INCMT	Floating receivable v/s fixed payable
Trading	1,179	78,502.69	OIS	Fixed receivable v/s floating payable
Trading	1,167	76,008.42	OIS	Floating receivable v/s fixed payable
Trading	292	21,019.00	MIFOR	Fixed receivable v/s floating payable
Trading	218	12,959.00	MIFOR	Floating receivable v/s fixed payable
Trading	7	450	MIOIS	Floating receivable v/s fixed payable
Total		**190,789.11**		

The nature and terms of foreign currency IRS as on March 31, 2017 are set out below:

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	1	17.80	GBP Libor	Fixed receivable v/s floating payable
Trading	1	17.80	GBP Libor	Floating receivable v/s fixed payable
Trading	2	692.93	EURIBOR	Fixed receivable v/s floating payable
Trading	2	692.93	EURIBOR	Floating receivable v/s fixed payable
Trading	110	18,404.28	USD Libor	Fixed receivable v/s floating payable
Trading	194	24,786.81	USD Libor	Floating receivable v/s fixed payable
Hedging	3	3,242.50	USD Libor	Fixed receivable v/s floating payable
Total		**47,855.05**		

There were no foreign currencies FRA outstanding as at March 31, 2017.

The nature and terms of rupee IRS as on March 31, 2016 are set out below:

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	7	275.00	INBMK	Fixed receivable v/s floating payable
Trading	8	450.00	INBMK	Floating receivable v/s fixed payable
Trading	4	1,250.00	INCMT	Floating receivable v/s fixed payable
Trading	944	67,667.84	OIS	Fixed receivable v/s floating payable
Trading	901	61,759.95	OIS	Floating receivable v/s fixed payable
Trading	323	23,437.00	MIFOR	Fixed receivable v/s floating payable
Trading	239	15,135.00	MIFOR	Floating receivable v/s fixed payable
Trading	8	620.00	MIOIS	Floating receivable v/s fixed payable
Total		**170,594.79**		

The nature and terms of foreign currency IRS as on March 31, 2016 are set out below:

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	1	29.41	GBP Libor	Fixed receivable v/s floating payable
Trading	1	29.41	GBP Libor	Floating receivable v/s fixed payable
Trading	2	753.95	EURIBOR	Fixed receivable v/s floating payable
Trading	2	753.95	EURIBOR	Floating receivable v/s fixed payable
Trading	90	14,568.32	USD Libor	Fixed receivable v/s floating payable
Trading	184	26,816.42	USD Libor	Floating receivable v/s fixed payable
Hedging	3	3,312.75	USD Libor	Fixed receivable v/s floating payable
Hedging	6	2,848.97	USD Libor	Floating receivable v/s fixed payable
Total		**49,113.18**		

The nature and terms of foreign currency FRA as on March 31, 2016 are set out below:

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	1	214.63	USD Libor	Payable FRA
Trading	1	214.63	USD Libor	Receivable FRA
Total		**429.26**		

- **Exchange traded interest rate derivatives** **(₹ crore)**

Sr. No.	Particulars	March 31, 2017	March 31, 2016
i)	The total notional principal amount of exchange traded interest rate derivatives undertaken during the years reported	Nil	Nil
ii)	The total notional principal amount of exchange traded interest rate derivatives outstanding	Nil	Nil
iii)	The notional principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective'	N.A.	N.A.
iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not 'highly effective'	N.A.	N.A.

- **Qualitative disclosures on risk exposure in derivatives**

Overview of business and processes

Derivatives are financial instruments whose characteristics are derived from underlying assets, or from interest and exchange rates or indices. These include forwards, swaps, futures and options. The notional amounts of financial instruments such as foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the Balance Sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The following sections outline the nature and terms of the derivative transactions generally undertaken by the Bank.

Interest rate contracts

Forward rate agreements give the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the settlement date). There is no exchange of principal and settlement is effected on the settlement date. The settlement amount is the difference between the contracted rate and the market rate prevailing on the settlement date.

Interest rate swaps involve the exchange of interest obligations with the counterparty for a specified period without exchanging the underlying (or notional) principal.

Interest rate caps and floors give the buyer the ability to fix the maximum or minimum rate of interest. The writer of the contract pays the amount by which the market rate exceeds or is less than the cap rate or the floor rate respectively. A combination of interest rate caps and floors is known as an interest rate collar.

Interest rate futures are standardised interest rate derivative contracts traded on a recognised stock exchange to buy or sell a notional security or any other interest bearing instrument or an index of such instruments or interest rates at a specified future date, at a price determined at the time of the contract.

Exchange rate contracts

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on future date. These instruments are carried at fair value, determined based on either FEDAI rates or market quotations.

Cross currency swaps are agreements to exchange principal amounts denominated in different currencies. Cross currency swaps may also involve the exchange of interest payments on one specified currency for interest payments in another specified currency for a specified period.

Currency options give the buyer, on payment of a premium, the right but not an obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date. Option premia paid or received is recorded in Statement of Profit and Loss for rupee options at the expiry of the option and for foreign currency options on the trade date.

Currency futures contract is a standardised contract traded on an exchange, to buy or sell a certain underlying asset or an instrument at a certain date in the future, at a specified price. The underlying instrument of a currency future contract is the rate of exchange between one unit of foreign currency and the INR.

The Bank's derivative transactions relate to sales and trading activities. Sale activities include the structuring and marketing of derivatives to customers to enable them to hedge their market risks (both interest rate and exchange risks), within the framework of regulations as applicable from time to time. The Bank deals in derivatives on its own account (trading activity) principally for the purpose of generating a profit from short term fluctuations in price or yields. The Bank also deals in derivatives to hedge the risk embedded in some of its Balance Sheet assets or liabilities.

Constituents involved in derivative business

The Treasury front-office enters into derivative transactions with customers and inter-bank counterparties. The Bank has an independent back-office and mid-office as per regulatory guidelines. The Bank has a credit and market risk department that assesses various counterparty risk and market risk limits, within the risk architecture and processes of the Bank.

Derivative policy

The Bank has in place a policy which covers various aspects that apply to the functioning of the derivative business. The derivative business is administered by various market risk limits such as position limits, tenor limits, sensitivity limits, GAP limit, scenario based profit and loss limit for option portfolio and value-at-risk limits that are recommended by the Risk Policy and Monitoring Committee ('RPMC') to the Board of Directors for approval. All methodologies used to assess market and credit risks for derivative transactions are specified by the credit and market risk unit. Limits are monitored on a daily basis by the mid-office.

The Bank has implemented a Board approved policy on Customer Suitability & Appropriateness to ensure that derivative transactions entered into are appropriate and suitable to the customer's nature of business / operations. Before entering into a derivative deal with a customer, the Bank scores the customer on various risk parameters and based on the overall score level it determines the kind of product that best suits its risk appetite and the customer's requirements.

Classification of derivatives book

The derivative book is classified into trading and hedging book. Classification of the derivative book is made on the basis of the definitions of the trading and hedging books specified in the RBI guidelines. The trading book is managed within the trading limits approved by the RPMC and the Board of Directors.

Hedging policy

For derivative contracts designated as hedge, the Bank documents, at inception, the relationship between the hedging instrument and the hedged item, the risk management objective for undertaking the hedge and the methods used to assess the hedge effectiveness. Hedge effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Hedge effectiveness is measured by the degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

The hedging book consists of transactions to hedge Balance Sheet assets or liabilities. The tenor of hedging instrument may be less than or equal to the tenor of underlying hedged asset or liability. Derivative contracts designated as hedges are not marked to market unless their underlying asset or liability is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Statement of Profit and Loss in the relevant period. Gain or losses arising from hedge ineffectiveness, if any, is recognised in the Statement of Profit and Loss. Foreign exchange forward contracts not intended for trading, that are entered into to establish the amount of reporting currency required or available at the settlement date of a transaction, and are outstanding at the Balance Sheet date, are effectively valued at the closing spot rate. The premia or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

- **Provisioning, collateral and credit risk mitigation**

The Bank enters into derivative transactions with counter parties based on their business ranking and financial position. The Bank sets up appropriate limits upon evaluating the ability of the counterparty to honour its obligations in the event of crystallisation of the exposure. Appropriate credit covenants are stipulated where required as trigger events to call for collaterals or terminate a transaction and contain the risk.

The Bank, at the minimum, conforms to the RBI guidelines with regard to provisioning requirements. Overdue receivables representing crystallised positive mark-to-market value of a derivative contract are transferred to the account of the borrower and treated as non-performing assets, if these remain unpaid for 90 days or more. Full provision is made for the entire amount of overdue and future receivables relating to positive marked to market value of non-performing derivative contracts.

For the year ended March 31, 2017

- **Quantitative disclosure on risk exposure in derivatives** **(₹ crore)**

Sr. No.	Particulars	Currency derivatives		Interest rate derivatives	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
1	Derivatives (notional principal amount)				
	a) Hedging	156.95	160.35	3,242.50	6,161.72
	b) Trading	32,999.13	36,149.17	235,908.28	214,575.93
2	Marked to Market positions				
	a) Asset (+)	649.32	740.09	918.74	911.43
	b) Liability (-)	(571.42)	(494.47)	(857.33)	(964.86)
3	Credit Exposure	2,487.65	2,114.96	2,941.53	2,355.78
4	Likely impact of one percentage change in interest rate (100*PV01)				
	a) On hedging derivatives	0.08	0.09	15.79	32.24
	b) On trading derivatives	25.70	35.06	19.11	30.84
5	Maximum of 100*PV01 observed during the year				
	a) On hedging	0.09	0.21	43.06	44.04
	b) On trading	35.47	39.41	79.70	116.25
6	Minimum of 100*PV01 observed during the year				
	a) On hedging	0.02	0.02	15.79	30.02
	b) On trading	21.27	0.21	19.11	30.84

✓ The notional principal amount of foreign exchange contracts classified as hedging and trading outstanding as at March 31, 2017 amounted to ₹ 6,302.40 crore (previous year: ₹ 23,182.85 crore) and ₹ 463,627.74 crore (previous year: ₹ 505,892.93 crore) respectively.

✓ The notional principal amounts of derivatives reflect the volume of transactions outstanding as at the Balance Sheet date and do not represent the amounts at risk.

✓ For the purpose of this disclosure, currency derivatives include currency options purchased and sold and cross currency interest rate swaps.

✓ Interest rate derivatives include interest rate swaps, forward rate agreements and interest rate caps.

✓ The Bank has computed the maximum and minimum of PV01 for the year based on the balances as at the end of every month.

✓ In respect of derivative contracts, the Bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of:

(a) the current replacement cost (marked to market value including accruals) of the contract or zero whichever is higher; and

(b) the Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factors prescribed in RBI guidelines, which is applied on the basis of the residual maturity and the type of contract.

12 Asset quality

- **Movements in NPAs (funded)** **(₹ crore)**

Particulars	March 31, 2017*	March 31, 2016
(i) Net NPAs to net advances	0.33%	0.28%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	4,392.83	3,438.38
(b) Additions (fresh NPAs) during the year	7,126.17	5,712.64
(c) Reductions during the year:	5,633.34	4,758.19
- Upgradation	1,519.42	1,377.12
- Recoveries (excluding recoveries made from upgraded accounts)	1,727.98	1,438.65
- Write-offs	2,385.94	1,942.42
(d) Closing balance	5,885.66	4,392.83
(iii) Movement of net NPAs		
(a) Opening balance	1,320.37	896.28
(b) Additions during the year	2,357.87	1,968.39
(c) Reductions during the year	1,834.25	1,544.30
(d) Closing balance	1,843.99	1,320.37
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	3,072.46	2,542.10
(b) Additions during the year	4,768.30	3,744.25
(c) Write-offs	2,385.94	1,942.42
(d) Write-back of excess provisions	1,413.15	1,271.47
(e) Closing balance	4,041.67	3,072.46

NPAs include all loans, investments and foreign exchange and derivatives that are classified as non-performing by the Bank.

*The RBI, vide its circulars dated November 21, 2016 and December 28, 2016, had given banks, in respect of certain eligible working capital accounts and loans of ₹ 1 crore or less, an additional 60 / 90 days for reckoning days past due for classification as NPAs. Eligible accounts which were more than 90 days overdue as at March 31, 2017 have been classified as non-performing as at that date without the Bank availing of the said dispensation. These accounts otherwise would have been classified as NPAs subsequent to March 31, 2017.

- **Technical or prudential write-offs**

Technical or prudential write-offs refer to the amount of non-performing assets which are outstanding in the books of the branches, but have been written-off (fully or partially) at the head office level. The financial accounting systems of the Bank are integrated and there are no write-offs done by the Bank which remain outstanding in the books of the branches. Movement in the stock of technically or prudentially written-off accounts is given below: **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Opening balance of technical / prudential write-offs	-	-
Technical / Prudential write-offs during the year	-	-
Recoveries made from previously technically / prudentially written-off accounts during the year	-	-
Closing balance of technical / prudential write-offs	-	-

- **Floating provisions**

Floating provision of ₹ 1,248.01 crore (previous year: ₹ 1,335.64 crore) have been included under "Other Liabilities". Movement in floating provision is given below: **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Opening balance	1,335.64	1,523.22
Provisions made during the year	25.00	115.00
Draw down made during the year	(112.63)	(302.58)
Closing balance	1,248.01	1,335.64

Floating provisions have been utilised as per the Board approved policy for contingencies under extraordinary circumstances and for making specific provision for impaired accounts in accordance with the RBI guidelines / directives.

- **Divergence in the asset classification and provisioning**

There was no divergence observed by the RBI for the financial year 2015-16 in respect of the Bank's asset classification and provisioning under the extant prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP).

- **Disclosure on accounts subjected to restructuring for the year ended March 31, 2017:**

(₹ crore, except numbers)

Sr. No.	Type of restructuring		Under Corporate Debt Restructuring (CDR) Mechanism					Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism					Others					Total				
	Asset Classification → / Details ↓		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured accounts as at April 1, 2016*	No. of borrowers	2	1	7	-	10	-	-	-	-	-	2	2	5	-	9	4	3	12	-	19
		Amount outstanding	33.60	41.65	203.56	-	278.81	-	-	-	-	-	172.46	26.69	18.70	-	217.85	206.06	68.34	222.26	-	496.66
		Provision thereon	1.50	-	1.57	-	3.07	-	-	-	-	-	4.00	1.62	0.77	-	6.39	5.50	1.62	2.34	-	9.46
2	Fresh restructuring during the year #	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	0.46	-	-	0.46	-	-	-	-	-	-	-	0.24	-	0.24	-	0.46	0.24	-	0.70
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradation to restructured standard category during the year	No. of borrowers	+2	-	-2 -1	-	-1	-	-	-	-	-	+1	-	-	-	+1	+3	-	-3	-	-
		Amount outstanding	59.98	-	-63.51	-	-3.53	-	-	-	-	-	3.53	-	-	-	3.53	63.51	-	-63.51	-	-
		Provision thereon	0.36	-	-0.87	-	-0.51	-	-	-	-	-	0.51	-	-	-	0.51	0.87	-	-0.87	-	-
4	Advances not shown as restructured standard advances at the beginning of the next year^	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding	-				-	-				-	-				-	-				-
		Provision thereon	-				-	-				-	-				-	-				-
5	Down gradation of restructured accounts during the year	No. of borrowers	-1	+1	-	-	-	-	-	-	-	-	-	-2	+2 -3	+3	-	-1	-1	-1	+3	-
		Amount outstanding	-13.24	+13.24	-	-	-	-	-	-	-	-	-	-26.69	+18.64	+8.05	-	-13.24	-13.45	18.64	8.05	-
		Provision thereon	-1.00	+1.00	-	-	-	-	-	-	-	-	-	-1.62	+1.45	+0.17	-	-1.00	-0.62	+1.45	+0.17	-
6	Write-offs of restructured accounts during the year ##	No. of borrowers	-	1	2	-	3	-	-	-	-	-	1	-	-	-	1	1	1	2	-	4
		Amount outstanding	22.65	41.65	113.07	-	177.37	-	-	-	-	-	3.53	-	4.03	0.89	8.45	26.18	41.65	117.10	0.89	185.82
7	Restructured accounts as at March 31, 2017*	No. of borrowers	3	1	2	-	6	-	-	-	-	-	2	-	4	3	9	5	1	6	3	15
		Amount outstanding	57.69	13.70	26.98	-	98.37	-	-	-	-	-	172.46	-	33.55	7.16	213.17	230.15	13.70	60.53	7.16	311.54
		Provision thereon	2.50	1.00	0.44	-	3.94	-	-	-	-	-	0.50	-	1.44	0.15	2.09	3.00	1.00	1.88	0.15	6.03

* Excludes the figures of standard restructured advances which do not attract higher provisioning or risk weight.

^ These are restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year.

include ₹ 0.70 crore of additional sanction (2 accounts and provision ₹ 1.50 crore) to existing restructured accounts in CDR and other package.

include ₹ 55.91 crore (15 accounts and provision ₹ 4.53 crore) in existing restructured accounts by way of recovery and ₹ 0.05 crore (1 account) is no longer required to be reported as restructured.

- **Disclosure on accounts subjected to restructuring for the year ended March 31, 2016:**

(₹ crore, except numbers)

Sr. No.	Type of restructuring		Under Corporate Debt Restructuring (CDR) Mechanism					Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism					Others					Total				
	Asset Classification →		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 at April 1, 2015*	No. of borrowers	3	-	7	-	10	-	-	-	-	-	6	3	1	-	10	9	3	8	-	20
		Amount outstanding	70.48	-	236.88	-	307.36	-	-	-	-	-	192.32	9.02	7.74	-	209.08	262.80	9.02	244.62	-	516.44
		Provision thereon	2.10	-	5.78	-	7.88	-	-	-	-	-	16.02	0.23	1.34	-	17.59	18.12	0.23	7.12	-	25.47
2	Fresh restructuring during the year #	No. of borrowers	-	-	1	-	1	-	-	-	-	-	-	1	1	-	2	-	1	2	-	3
		Amount outstanding	3.29	1.48	6.70	-	11.47	-	-	-	-	-	9.00	3.80	2.95	-	15.75	12.29	5.28	9.65	-	27.22
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	0.75	0.01	-	0.76	-	0.75	0.01	-	0.76
3	Upgradation to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Advances not shown as restructured standard advances at the beginning of the next year^	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding	-				-	-				-	-				-	-				-
		Provision thereon	-				-	-				-	-				-	-				-
5	Down gradation of restructured accounts during the year	No. of borrowers	-1	+1	-	-	-	-	-	-	-	-	-1	+1 -3	+3	-	-	-2	+2 -3	+3	-	-
		Amount outstanding	-40.17	40.17	-	-	-	-	-	-	-	-	-24.74	15.72	9.02	-	-	-64.91	55.89	9.02	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-0.81	+0.58	+0.23	-	-	-0.81	+0.58	+0.23	-	-
6	Write-offs of restructured accounts during the year ##	No. of borrowers	-	-	1	-	1	-	-	-	-	-	3	-	-	-	3	3	-	1	-	4
		Amount outstanding	-	-	40.02	-	40.02	-	-	-	-	-	4.12	1.85	1.01	-	6.98	4.12	1.85	41.03	-	47.00
7	Restructured accounts as at March 31, 2016*	No. of borrowers	2	1	7	-	10	-	-	-	-	-	2	2	5	-	9	4	3	12	-	19
		Amount outstanding	33.60	41.65	203.56	-	278.81	-	-	-	-	-	172.46	26.69	18.70	-	217.85	206.06	68.34	222.26	-	496.66
		Provision thereon	1.50	-	1.57	-	3.07	-	-	-	-	-	4.00	1.62	0.77	-	6.39	5.50	1.62	2.34	-	9.46

* Excludes the figures of standard restructured advances which do not attract higher provisioning or risk weight.

^ These are restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year.

include ₹ 14.80 crore of additional sanction (5 accounts and provision ₹ 6.11 crore) to existing restructured accounts in CDR and other package.

include ₹ 10.79 crore (10 accounts and provision ₹ 5.18 crore) in existing restructured accounts by way of recovery and ₹ 1.01 crore (2 accounts and provision ₹ 0.17 crore) is no longer required to be reported as restructured.

- **Details of financial assets sold during the year to securitisation / reconstruction companies (SC / RC) for asset reconstruction are as under:** **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Number of accounts	-	1
Aggregate value (net of provisions) of accounts sold to SC / RC	-	3.96
Aggregate considerations	-	2.95
Additional consideration realised in respect of accounts transferred in earlier years	-	-
Aggregate gain / (loss) over net book value	-	(1.01)
Provision made to meet shortfall in sale of NPA	-	(1.01)
Amount of unamortised provision debited to 'other reserve'	-	-

- **Details of book value of investment in security receipts (SRs) backed by NPAs:** **(₹ crore)**

	Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago	Total March 31, 2017
(i)	Backed by NPAs sold by the Bank as underlying	195.34	0.52	-	195.86
	Provision held against (i)	-	-	-	-
(ii)	Backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	17.17	10.12	-	27.29
	Provision held against (ii)	-	-	-	-
	Total	**212.51**	**10.64**	**-**	**223.15**

	Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago	Total March 31, 2016
(i)	Backed by NPAs sold by the Bank as underlying	202.92	0.88	-	203.80
	Provision held against (i)	-	-	-	-
(ii)	Backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	28.91	7.14	-	36.05
	Provision held against (ii)	-	-	-	-
	Total	**231.83**	**8.02**	**-**	**239.85**

- During the years ended March 31, 2017 and March 31, 2016, no non-performing financial assets were sold, excluding those sold to SC / RC.
- During the years ended March 31, 2017 and March 31, 2016, no non-performing financial assets were purchased by the Bank.
- Securitised assets as per books of SPVs sponsored by the Bank:

  There are no SPVs sponsored by the Bank as at March 31, 2017 and as at March 31, 2016.
- Accounts under the Scheme for Sustainable Structuring of Stressed Assets (S4A), as on March 31, 2017: Nil

- Disclosure on Stressed Assets

(i) Disclosures on Flexible Structuring of Existing Loans **(₹ crore, except numbers)**

Financial year ended	**No. of borrowers taken up for flexible structuring**	**Amount of loans taken up for flexible structuring**		**Exposure weighted average duration of loans taken up for flexible structuring**	
		Classified as Standard	**Classified as NPA**	**Before applying flexible structuring**	**After applying flexible structuring**
March 31, 2017	1	39.12*	-	8 years	9.5 years
March 31, 2016	1	166.67	-	5 years	20 years #

* approval from Independent Evaluation Committee (IEC) is awaited.

\# refinancing proposed at the end of 8 years.

(ii) Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)

(₹ crore, except numbers)

No. of accounts where SDR has been invoked	**Amount outstanding as at March 31, 2017**		**Amount outstanding as at March 31, 2017 with respect to accounts where conversion of debt to equity is pending**		**Amount outstanding as at March 31, 2017 with respect to accounts where conversion of debt to equity has taken place**	
	Classified as standard	**Classified as NPA**	**Classified as standard**	**Classified as NPA**	**Classified as standard**	**Classified as NPA**
1	73.06	-	-	-	73.06*	-

*of which ₹ 32.87 crore of loans where conversion to equity has taken place.

(iii) Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period): Nil

(iv) Change in Ownership of Projects Under Implementation (accounts which are currently under the stand-still period): Nil

13 Details of exposures to real estate and capital market sectors, risk category-wise country exposures, factoring exposures, single / group borrower exposures, unsecured advances and concentration of deposits, advances, exposures and NPAs

- **Details of exposure to real estate sector**

Exposure is higher of limits sanctioned or the amounts outstanding as at the year end. **(₹ crore)**

Category	**March 31, 2017**	**March 31, 2016**
a) Direct exposure	**65,289.89**	**49,428.76**
(i) Residential mortgages*	42,401.22	32,245.03
(of which housing loans eligible for inclusion in priority sector advances)	(18,951.24)	(18,697.97)
(ii) Commercial real estate	22,877.26	17,118.59
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures:		
(a) Residential	11.41	65.14
(b) Commercial real estate	-	-
b) Indirect exposure	**17,832.36**	**14,490.76**
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	17,832.36	14,490.76
Total exposure to real estate sector	**83,122.25**	**63,919.52**

**includes loans purchased under the direct loan assignment route*

Of the above, exposure to real estate developers as at March 31, 2017 is 0.5% (previous year: 0.5%) of total advances.

- **Details of capital market exposure**

Exposure is higher of limits sanctioned or the amount outstanding as at the year end. **(₹ crore)**

Sr. No.	Particulars	March 31, 2017	March 31, 2016
(i)	Direct investments made in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	90.97	86.50
(ii)	Advances against shares, bonds, debentures or other securities or on clean basis to individuals for investment in shares (including IPO's / ESOP's), convertible bonds, convertible debentures and units of equity oriented mutual funds	186.94	158.75
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	3,604.58	3,133.85
(iv)	Advances for any other purposes to the extent secured by collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	169.59	48.31
(v)	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers	8,165.08	6,881.17
(vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	1,390.31	2,576.32
(vii)	Bridge loans to companies against expected equity flows / issues	-	-
(viii)	Underwriting commitments taken up in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
(ix)	Financing to stock brokers for margin trading	-	-
(x)	All exposures to venture capital funds (both registered and unregistered)	0.25	0.20
	Total exposure to capital market	**13,607.72**	**12,885.10**

- **Details of risk category wise country exposure** **(₹ crore)**

Risk Category	March 31, 2017		March 31, 2016	
	Exposure (net)	Provision held	Exposure (net)	Provision held
Insignificant	17,177.70	-	13,857.28	-
Low	9,653.78	-	8,222.23	-
Moderately low	247.75	-	370.13	-
Moderate	164.44	-	143.82	-
Moderately high	9.48	-	20.23	-
High	-	-	5.25	-
Very high	-	-	-	-
Total	**27,253.15**	**-**	**22,618.94**	**-**

For the year ended March 31, 2017

- **Details of factoring exposure**

  The factoring exposure of the Bank as at March 31, 2017 is ₹ 2,036.11 crore (previous year: ₹ 3,515.98 crore).

- **Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the Bank**

  The RBI has prescribed single and group borrower exposure limits linked to a Bank's capital funds and such limits can be enhanced by a further 5 percent thereof with the approval of the Board of Directors of the Bank. During the year ended March 31, 2017 and March 31, 2016 the Bank was within the limits prescribed by the RBI.

- **Unsecured advances**

  Advances for which intangible collaterals such as rights, licenses, authority etc. are charged in favour of the Bank in respect of projects financed by the Bank, are reckoned as unsecured advances under Schedule 9 of the Balance Sheet in line with extant RBI guidelines. There are no such advances outstanding as at March 31, 2017 (previous year: Nil).

- **Inter-bank Participation with risk sharing**

  The aggregate amount of participation issued by the Bank and reduced from advances as per regulatory guidelines as at March 31, 2017 was ₹ 7,500.00 crore (previous year: ₹ 6,450.00 crore).

- **Concentration of deposits, advances, exposures and NPAs**

a) Concentration of deposits **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Total deposits of twenty largest depositors	35,562.76	28,890.12
Percentage of deposits of twenty largest depositors to total deposits of the Bank	5.5%	5.3%

b) Concentration of advances **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Total advances to twenty largest borrowers	83,962.09	81,781.38
Percentage of advances of twenty largest borrowers to total advances of the Bank	9.4%	11.9%

Advances comprise credit exposure (funded and non-funded credit limits) including derivative transactions computed as per current exposure method in accordance with RBI guidelines.

c) Concentration of exposure **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Total exposure to twenty largest borrowers / customers	90,046.09	89,137.40
Percentage of exposure of twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	9.5%	12.3%

Exposures comprise credit exposure (funded and non-funded credit limits) including derivative transactions and investment exposure in accordance with RBI guidelines.

d) Concentration of NPAs **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Total gross exposure to top four NPA accounts	588.99	497.16

e) **Sector-wise advances** (₹ crore)

Sr. No.	Sector	March 31, 2017			March 31, 2016		
		Outstanding total advances	Gross non-performing loans	Percentage of gross non-performing loans to total advances in that sector	Outstanding total advances	Gross non-performing loans	Percentage of gross non-performing loans to total advances in that sector
A	**Priority sector**						
1	Agriculture and allied activities	63,186.16	1,279.98	2.03%	52,867.24	764.18	1.45%
2	Advances to industries eligible as priority sector lending	26,209.92	480.78	1.83%	24,059.96	386.90	1.61%
3	Services	52,361.67	678.46	1.30%	44,202.22	431.43	0.98%
4	Personal loans	22,350.27	14.43	0.06%	21,730.26	79.58	0.37%
	Sub-total (A)	**164,108.02**	**2,453.65**	**1.50%**	**142,859.68**	**1,662.09**	**1.16%**
B	**Non Priority sector**						
1	Agriculture and allied activities	6,905.78	74.89	1.08%	7,303.08	85.77	1.17%
2	Industry	127,366.08	1,243.07	0.98%	98,854.02	793.83	0.80%
3	Services	127,937.51	1,037.87	0.81%	104,002.56	967.17	0.93%
4	Personal loans	132,249.25	1,016.40	0.77%	114,560.04	788.74	0.69%
	Sub-total (B)	**394,458.62**	**3,372.23**	**0.85%**	**324,719.70**	**2,635.51**	**0.81%**
	Total (A) + (B)	**558,566.64**	**5,825.88**	**1.04%**	**467,579.38**	**4,297.60**	**0.92%**

• **Details of Priority Sector Lending Certificates (PSLCs)** (₹ crore)

Type of PSLCs	For the year ended March 31, 2017	
	PSLC bought during the year	PSLC sold during the year
Agriculture	-	500.00
Small and Marginal farmers	3,269.50	21.25
Micro Enterprises	-	-
General	-	1,000.00
Total	**3,269.50**	**1,521.25**

14 Other fixed assets

Other fixed assets includes amount capitalised relating to software having useful life of five years. Details regarding the same are tabulated below: (₹ crore)

Particulars	March 31, 2017	March 31, 2016
Cost		
As at March 31 of the previous year	1,737.09	1,575.65
Additions during the year	402.61	161.45
Deductions during the year	-	(0.01)
Total (a)	**2,139.70**	**1,737.09**

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Depreciation		
As at March 31 of the previous year	1,218.53	1,022.83
Charge for the year	255.23	195.71
On deductions during the year	-	(0.01)
Total (b)	**1,473.76**	**1,218.53**
Net value (a-b)	**665.94**	**518.56**

15 Other assets

- Other assets include deferred tax asset (net) of ₹ 2,447.34 crore (previous year: ₹ 2,116.62 crore). The break-up of the same is as follows:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Deferred tax asset arising out of:		
Loan loss provisions	2,079.97	1,748.18
Employee benefits	167.38	148.17
Others	321.47	314.12
Total (a)	**2,568.82**	**2,210.47**
Deferred tax liability arising out of:		
Depreciation	(121.48)	(93.85)
Total (b)	**(121.48)**	**(93.85)**
Deferred tax asset (net) (a-b)	**2,447.34**	**2,116.62**

- Key items under "Others" in Other assets are as under:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Deposit with NABARD / SIDBI / NHB - PSL shortfall	11,882.37	13,719.68
Unrealised gain on foreign exchange and derivative contracts*	14,014.05	8,566.14
Deferred tax assets	2,447.34	2,116.62
Deposits & amounts paid in advance	1,740.75	1,282.19
Accounts receivable	1,568.79	1,274.66
Margin for LAF with RBI	-	1,344.51
Residual items	2.50	2.41
Total	**31,655.80**	**28,306.21**

**The Bank has presented gross unrealised gain on foreign exchange and derivative contracts under other assets and gross unrealised loss on foreign exchange and derivative contracts under other liabilities.*

16 Maturity pattern of key assets and liabilities

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI.

(₹ crore)

As at March 31, 2017	1 day	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans & advances	6,539.06	15,084.56	9,469.18	23,487.16	23,100.12	22,790.90	44,683.49	63,909.96	246,074.88	55,114.69	44,314.20	554,568.20
Investments	41,394.34	5,785.29	5,563.97	8,019.55	10,862.06	10,667.74	13,380.35	20,057.43	60,186.46	7,944.59	30,601.56	214,463.34
Deposits	10,336.50	26,933.57	16,982.56	14,231.55	23,725.46	23,778.34	43,975.61	69,790.72	287,584.72	13,494.82	112,805.81	643,639.66
Borrowings	313.31	3,248.71	1,622.08	3,545.16	5,072.85	2,588.29	6,431.74	16,178.33	12,543.50	6,319.90	16,165.00	74,028.87
Foreign currency assets	4,588.42	9,521.48	2,432.05	5,393.34	3,493.54	3,532.92	4,448.81	3,636.09	4,247.19	1,724.90	303.32	43,322.06
Foreign currency liabilities	1,595.20	2,863.76	2,144.67	4,356.23	5,713.99	3,212.35	4,487.00	7,486.47	11,400.66	1,784.51	1,231.75	46,276.59

(₹ crore)

As at March 31, 2016	1 day	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans & advances	5,899.80	9,363.35	6,715.02	20,239.90	22,687.23	20,790.59	34,648.74	61,882.67	207,986.19	40,680.30	33,700.17	464,593.96
Investments	14,316.76	39,302.30	6,909.17	12,010.84	13,677.05	8,799.02	11,515.93	13,973.17	45,249.83	3,515.43	26,566.79	195,836.29
Deposits	7,833.76	24,410.58	14,502.58	12,873.38	18,947.05	17,868.01	39,301.81	78,240.13	222,890.76	12,361.51	97,194.62	546,424.19
Borrowings	42.51	34,044.93	1,253.61	2,669.86	5,693.61	2,648.99	3,960.08	10,046.25	8,977.05	1,767.55	13,864.55	84,968.99
Foreign currency assets	3,613.68	5,965.52	2,006.00	6,326.41	4,309.81	3,188.70	5,275.05	15,829.01	5,571.21	1,326.15	603.60	54,015.14
Foreign currency liabilities	828.63	1,429.21	1,553.38	3,620.26	6,334.19	3,127.67	6,554.33	35,293.92	14,418.24	1,290.48	719.14	75,169.45

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI. Maturity profile of foreign currency assets and liabilities is excluding Off Balance Sheet item.

For the year ended March 31, 2017

17 Provisions, contingent liabilities and contingent assets

Given below is the movement in provisions and a brief description of the nature of contingent liabilities recognised by the Bank.

a) Provision for credit card and debit card reward points **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Opening provision for reward points	306.36	200.07
Provision for reward points made during the year	334.24	179.50
Utilisation / write-back of provision for reward points	(209.36)	(73.21)
Closing provision for reward points	431.24	306.36

b) Provision for legal and other contingencies **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Opening provision	344.56	354.91
Movement during the year (net)	(32.66)	(10.35)
Closing provision	311.90	344.56

c) Provision pertaining to fraud accounts

Particulars	March 31, 2017
No. of frauds reported during the year	2,319
Amount involved in fraud (₹ crore)	165.20
Amount involved in fraud net of recoveries / write-offs as at the end of the year (₹ crore)	20.83
Provisions held as at the end of the year (₹ crore)	20.83
Amount of unamortised provision debited from “other reserves” as at the end of the year (₹ crore)	-

d) Description of contingent liabilities

Sr. No.	Contingent liability*	Brief description
1	Claims against the Bank not acknowledged as debts - taxation	The Bank is a party to various taxation matters in respect of which appeals are pending. The Bank expects the outcome of the appeals to be favorable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and the provisions of Income Tax Act, 1961.
2	Claims against the Bank not acknowledged as debts - others	The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank’s financial conditions, results of operations or cash flows.
3	Liability on account of forward exchange and derivative contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange 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.

Sr. No.	Contingent liability*	Brief description
4	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities, the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the Bank's customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
5	Other items for which the Bank is contingently liable	These include: a) Credit enhancements in respect of securitised-out loans; b) Bills rediscounted by the Bank; c) Capital commitments; d) Underwriting commitments; e) Investment purchases pending settlement; f) Amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF).

**Also refer Schedule 12 - Contingent liabilities*

18 Business ratios / information

Particulars	March 31, 2017	March 31, 2016
Interest income as a percentage to working funds[1]	8.95%	9.25%
Net interest income as a percentage to working funds	4.28%	4.24%
Non-interest income as a percentage to working funds	1.59%	1.65%
Operating profit[2] as a percentage to working funds	3.32%	3.28%
Return on assets (average)	1.88%	1.89%
Business[3] per employee (₹ in crore)	12.36	11.39
Profit per employee[4] (₹ in crore)	0.16	0.15
Gross non-performing assets to gross advances[5]	1.05%	0.94%
Gross non-performing advances to gross advances	1.04%	0.92%
Percentage of net non-performing assets[6] to net advances[7]	0.33%	0.28%
Provision coverage ratio[8]	68.67%	69.94%

Definitions of certain items in Business ratios / information:

1. *Working funds is the daily average of total assets during the year.*
2. *Operating profit is net profit for the year before provisions and contingencies and profit / (loss) on sale of building and other assets (net).*
3. *"Business" is the total of average of net advances and deposits (net of inter-bank deposits).*
4. *Productivity ratios are based on average employee numbers.*
5. *Gross advances are net of bills rediscounted and interest in suspense.*
6. *Net NPAs are non-performing assets net of interest in suspense, specific provisions, ECGC claims received, provisions for funded interest term loans classified as NPAs and provisions in lieu of diminution in the fair value of restructured assets classified as NPAs.*
7. *Net advances are equivalent to gross advances net of specific loan loss provisions, ECGC claims received, provision for funded interest term loans classified as NPA and provisions in lieu of diminution in the fair value of restructured assets.*
8. *Provision coverage ratio does not include assets written off.*

19 Interest income

Interest income under the sub-head Income from Investments includes dividend received during the year ended March 31, 2017 on units of mutual funds, equity and preference shares amounting to ₹ 256.64 crore (previous year: ₹ 182.03 crore).

20 Earnings from standard assets securitised-out

There are no Special Purpose Vehicles ('SPV's) sponsored by the Bank for securitisation transactions. During the years ended March 31, 2017 and March 31, 2016, there were no standard assets securitised-out by the Bank.

Form and quantum of services and liquidity provided by way of credit enhancement

The Bank has provided credit and liquidity enhancements in the form of cash collaterals / guarantees / subordination of cash flows etc., to the senior Pass Through Certificates ('PTC's) as well as at loan assignment transactions. The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines. The total value of credit enhancement outstanding in the books as at March 31, 2017 was ₹ 224.31 crore (previous year: ₹ 225.65 crore) and outstanding servicing liability was ₹ 0.07 crore (previous year: ₹ 0.10 crore).

21 Other income

- **Commission, exchange and brokerage income**
  - ✓ Commission, exchange and brokerage income is net of correspondent bank charges.
  - ✓ Commission income for the year ended March 31, 2017 includes fees of ₹ 798.35 crore (previous year: ₹ 661.75 crore) in respect of life insurance business and ₹ 157.58 crore (previous year: ₹ 156.13 crore) in respect of general insurance business.
- **Miscellaneous income**

  Miscellaneous income includes recoveries from written-off accounts amounting to ₹ 864.31 crore (previous year: ₹ 807.99 crore).

22 Other expenditure

Other expenditure includes commission paid to sales agents amounting to ₹ 1,906.80 crore (previous year: ₹ 1,671.88 crore), exceeding 1% of the total income of the Bank.

23 Provisions and contingencies

The break-up of provisions and contingencies included in the Statement of Profit and Loss is given below: **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Provision for income tax		
- Current	7,916.97	6,507.59
- Deferred	(327.54)	(165.88)
Provision for NPAs	3,145.30	2,133.63
Provision for diminution in value of non-performing investments	(7.64)	15.17
Provision for standard assets	392.18	440.00
Other provisions and contingencies*	63.46	136.81
Total	**11,182.73**	**9,067.32**

**Includes provisions for tax, legal and other contingencies ₹ 38.34 crore (previous year: ₹ 37.28 crore), floating provisions ₹ 25.00 crore (previous year: ₹ 115.00 crore), provisions / (write-back) for securitised-out assets ₹ 2.62 crore (previous year: ₹ (2.85) crore) and standard restructured assets ₹ (2.50) crore (previous year: ₹ (12.62) crore).*

24 Employee benefits

Gratuity **(₹ crore)**

Particulars	**March 31, 2017**	**March 31, 2016**
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	390.47	310.59
Interest cost	26.36	22.38
Current service cost	62.57	53.78
Benefits paid	(38.49)	(24.30)
Actuarial (gain) / loss on obligation:		
Experience adjustment	35.48	16.24
Assumption change	11.61	11.78
Present value of obligation as at March 31	**488.00**	**390.47**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	287.93	242.88
Expected return on plan assets	22.52	21.23
Contributions	47.95	61.81
Benefits paid	(38.49)	(24.30)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	32.44	(13.69)
Assumption change	3.22	-
Fair value of plan assets as at March 31	**355.57**	**287.93**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	355.57	287.93
Present value of obligation as at March 31	(488.00)	(390.47)
Asset / (liability) as at March 31	**(132.43)**	**(102.54)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	26.36	22.38
Current service cost	62.57	53.78
Expected return on plan assets	(22.52)	(21.23)
Net actuarial (gain) / loss recognised in the year	11.42	41.71
Net cost	**77.83**	**96.64**
Actual return on plan assets	58.18	7.54
Estimated contribution for the next year	73.21	47.95
Assumptions		
Discount rate	7.1% per annum	7.5% per annum
Expected return on plan assets	7.0% per annum	8.0% per annum
Salary escalation rate	8.0% per annum	8.0% per annum

Experience adjustment (₹ crore)

Particulars	Years ended March 31,				
	2017	2016	2015	2014	2013
Plan assets	355.57	287.93	242.88	172.60	130.22
Defined benefit obligation	488.00	390.47	310.59	237.43	206.28
Surplus / (deficit)	(132.43)	(102.54)	(67.71)	(64.83)	(76.06)
Experience adjustment gain / (loss) on plan assets	32.44	(13.69)	21.35	1.87	2.00
Experience adjustment (gain) / loss on plan liabilities	35.48	16.24	4.59	5.87	2.72

Expected rate of return on investments is determined based on the assessment made by the Bank at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as of March 31, 2017 are given below:

Category of plan assets	% of fair value to total plan assets as at March 31, 2017
Government securities	28.0%
Debenture and bonds	27.0%
Equity shares	40.8%
Others	4.2%
Total	**100.0%**

Pension (₹ crore)

Particulars	March 31, 2017	March 31, 2016
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	70.88	57.45
Interest cost	4.80	3.92
Current service cost	1.23	1.12
Benefits paid	(6.62)	(10.18)
Actuarial (gain) / loss on obligation:		
Experience adjustment	4.65	17.35
Assumption change	(1.39)	1.22
Present value of obligation as at March 31	**73.55**	**70.88**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	38.38	41.91
Expected return on plan assets	2.61	3.21
Contributions	1.03	2.01
Benefits paid	(6.62)	(10.18)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	0.39	1.43

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Assumption change	0.37	-
Fair value of plan assets as at March 31	**36.16**	**38.38**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	36.16	38.38
Present value of obligation as at March 31	(73.55)	(70.88)
Asset / (liability) as at March 31	**(37.39)**	**(32.50)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	4.80	3.92
Current service cost	1.23	1.12
Expected return on plan assets	(2.61)	(3.21)
Net actuarial (gain) / loss recognised in the year	2.50	17.14
Net cost	**5.92**	**18.97**
Actual return on plan assets	3.37	4.64
Estimated contribution for the next year	7.18	14.00
Assumptions		
Discount rate	7.1% per annum	7.5% per annum
Expected return on plan assets	7.0% per annum	8.0% per annum
Salary escalation rate	8.0% per annum	8.0% per annum

Experience adjustment (₹ crore)

Particulars	Years ended March 31,				
	2017	2016	2015	2014	2013
Plan assets	36.16	38.38	41.91	47.99	48.88
Defined benefit obligation	73.55	70.88	57.45	58.89	58.19
Surplus / (deficit)	(37.39)	(32.50)	(15.54)	(10.90)	(9.31)
Experience adjustment gain / (loss) on plan assets	0.39	1.43	(2.38)	3.45	(1.58)
Experience adjustment (gain) / loss on plan liabilities	4.65	17.35	(0.19)	3.62	6.12

Expected rate of return on investments is determined based on the assessment made by the Bank at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as of March 31, 2017 are given below:

Category of plan assets	% of fair value to total plan assets as at March 31, 2017
Government securities	6.9%
Debenture and bonds	87.7%
Others	5.4%
Total	**100.0%**

Provident fund

The guidance note on AS-15, Employee Benefits, states that employer established provident funds, where interest is guaranteed are to be considered as defined benefit plans and the liability has to be valued. The Institute of Actuaries of India (IAI) has issued a guidance note on valuation of interest rate guarantees on exempt provident funds. The actuary has accordingly valued the same and the Bank held a provision of Nil as at March 31, 2017 (previous year: Nil), towards the present value of the guaranteed interest benefit obligation. The actuary has followed deterministic approach as prescribed by the guidance note.

Assumptions

Particulars	March 31, 2017	March 31, 2016
Discount rate (GOI security yield)	7.1% per annum	7.5% per annum
Expected guaranteed interest rate	8.7% per annum	9.0% per annum

The Bank does not have any unfunded defined benefit plan. The Bank contributed ₹ 216.86 crore (previous year: ₹ 189.00 crore) to the provident fund and ₹ 78.67 crore (previous year: ₹ 56.54 crore) to the superannuation plan.

Compensated absences

The actuarial liability of compensated absences of accumulated privileged and sick leaves of the employees of the Bank is given below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Privileged leave	237.24	222.07
Sick leave	52.95	47.40
Total actuarial liability	**290.19**	**269.47**
Assumptions		
Discount rate	7.1% per annum	7.5% per annum
Salary escalation rate	8.0% per annum	8.0% per annum

25 Disclosures on remuneration

Qualitative Disclosures

A. Information relating to the bodies that oversee remuneration

Name and composition

The Board of Directors of the Bank has constituted the Nomination and Remuneration Committee (hereinafter, the 'NRC') for overseeing and governing the compensation policies of the Bank. The NRC is comprised of four independent directors and is chaired by the Board of Directors of the Bank. Further, two members of the NRC are also members of the Risk Policy and Monitoring Committee (hereinafter, the 'RPMC') of the Board.

The NRC is comprised of the Chairperson, Mrs. Shyamala Gopinath, Mr. A N Roy, Mr. Partho Datta and Mr. Bobby Parikh. Further, Mrs. Shyamala Gopinath and Mr. Partho Dutta are also members of the RPMC. Mr. Bobby Parikh is the chairperson of the NRC.

Mandate of the NRC

The primary mandate of the NRC is to oversee the implementation of compensation policies of the Bank.

The NRC periodically reviews the overall compensation policy of the Bank with a view to attract, retain and motivate employees. In this capacity it is required to review and approve the design of the total compensation framework, including compensation strategy programs and plans, on behalf of the Board of Directors. The compensation structure and pay revision for Whole Time Directors is also approved by the NRC. The NRC co-ordinates with the RPMC to ensure that compensation is aligned with prudent risk taking.

External Consultants

The Bank employed the services of the following consulting firms in the area of compensation and benefits and human resources.

AON: The Bank employed the services of AON in the area of compensation market benchmarking and executive compensation. AON, apart from being a globally reputed consulting firm, has the longest running year on year banking study in India and was found to be the most appropriate by the NRC.

Ernst and Young: The Bank employed the services of Ernst and Young to review the compensation policy of the Bank in light of the best in class practices in the banking industry.

Scope of the Bank's Remuneration Policy:

The Remuneration Policy of the Bank includes within its scope all business lines, all permanent staff in its domestic as well as international offices. Further the principles articulated in the compensation policy are universal, however in the event there are any statutory provisions in overseas locations the same shall take precedence over the remuneration policy of the Bank.

All permanent employees of the Bank except those covered under the long term wage agreement are covered by the said compensation policy. The number of employees covered under the compensation policy was 84,041as at March 31, 2017 (previous year: 87,263).

B. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy

I. Key Features and Objectives of Remuneration Policy

The Bank's Compensation Policy (the 'Policy') is aligned to business strategy, market dynamics, internal characteristics and complexities within the Bank. The ultimate objective of the Policy is to provide a fair and transparent structure that helps in acquiring and retaining the talent pool critical to build competitive advantage and brand equity. The Policy has been designed basis the principles for sound compensation practices in accordance with regulatory requirements and provides a framework to create, modify and maintain appropriate compensation programs and processes with adequate supervision and control.

The Bank's performance management system provides a sound basis for assessing employee performance holistically. The Bank's compensation framework is aligned with the performance management system and differentiates pay appropriately amongst its employees based on degree of contribution, skill and availability of talent owing to competitive market forces by taking into account factors such as role, skills, competencies, experience and grade / seniority.

The NRC reviews the following critical principles enunciated in the policy and ensures that:

(a) the compensation is adjusted for all types of prudent risk taking;

(b) compensation outcomes are symmetric with risk outcomes;

(c) compensation payouts are sensitive to the time horizon of risk; and

(d) the mix of cash, equity and other forms of compensation are aligned with risk.

II. Design and Structure of Remuneration

a) Fixed Pay

The NRC ensures that the fixed component of the compensation is reasonable, taking into account all relevant factors including industry practice.

Elements of Fixed Pay

The fixed pay component of the Bank's compensation structure typically consists of elements such as base salary, allowances, perquisites, retirement and other employee benefits. Perquisites extended are in the nature of company car, hard furnishing, company leased accommodation, club membership and such other benefits or allowances in lieu of such perquisites / benefits. Retirement benefits include contributions to provident fund, superannuation fund (for certain job bands) and gratuity. The Whole Time Directors of the Bank are entitled to other post-retirement benefits such as car and medical facilities, in accordance with specified terms of employment as per the policy of the Bank, subject to RBI approval. The Bank also provides pension to certain employees of the erstwhile Lord Krishna Bank (eLKB) under the Indian Banks' Association ('IBA') structure.

Determinants of Fixed Pay

The fixed pay is primarily determined by taking into account factors such as the job size, performance, experience, location, market competitiveness of pay and is designed to meet the following key objectives of:

(a) fair compensation given the role complexity and size;

(b) fair compensation given the individual's skill, competence, experience and market pay position;

(c) sufficient contribution to post retirement benefits; and

(d) compliance with all statutory obligations.

For Whole Time Directors additional dimensions such as prominence of leadership among industry leaders, consistency of the Bank's performance over the years on key parameters such as profitability, growth and asset quality in relation to its own past performance and that of its peer banks would be considered. The quantum of fixed pay for Whole Time Directors is approved by the NRC as well as the Board and is subject to the approval of the RBI.

b) Variable Pay

The performance management system forms the basis for variable pay allocation of the Bank. The Bank ensures that the performance management system is comprehensive and considers both, quantitative and qualitative performance measures.

Whole Time Directors

The bonus for Whole Time Directors will not exceed 70% of the fixed pay in a year, thereby ensuring that there is a balance between the fixed and variable pays. The variable pay for Whole Time Directors is approved by the NRC as well as the Board and is subject to the approval of the RBI. The variable pay component is paid out subject to the following conditions:

- Where the variable pay constitutes 50% or more of the fixed pay, a portion of the same would be deferred as per the schedule mentioned in the table below:

Portion of Variable Pay	Timelines
60%	Payable effective April 1 of the financial year immediately following the performance year.
13.33%	Payable effective April 1 of the second financial year following the reference performance year.
13.33%	Payable effective April 1 of the third financial year following the reference performance year.
13.33%	Payable effective April 1 of the fourth financial year following the reference performance year.

- The Bank has devised appropriate malus and claw back clauses as a risk mitigant for any negative contributions of the Bank and / or relevant line of business in any year. Under the malus clause the incumbent foregoes the vesting of the deferred variable pay in full or in part. Under the claw back clause the incumbent is obligated to return all the tranches of payout received of bonus amounts pertaining to the relevant performance year. The deferred bonus is paid out post review and approval by the NRC.

Employees other than Whole Time Directors

The Bank has formulated the following variable pay plans:

- Annual bonus plan

The quantum of variable payout is a function of the performance of the Bank, performance of the business unit, performance of the individual employee, job band of the employee and the functional category. Basis these key determinants and due adjustment for risk alignment, a payout matrix for variable pay is developed. Market trends for specific businesses / functions along with inputs from compensation surveys may also be used in finalising the payout.

Bonus pools are designed to meet specific business needs therefore resulting in differentiation in both the quantum and the method of payout across functions. Typically higher levels of responsibility receive a higher proportion of variable pay vis-à-vis fixed pay. The Bank ensures that the time horizon for risk is assessed and the deferment period, if any, for bonus is set accordingly. Employees on the annual bonus plan are not part of performance-linked plans. The following is taken into account while administering the annual bonus:

- ✓ In the event the proportion of variable pay to fixed pay is substantially high (variable pay exceeding 50% of fixed pay), the Bank may devise an appropriate deferment schedule after taking into consideration the nature of risk, time horizon of risk, and the materiality of risk.
- ✓ In cases of deferment of variable pay the Bank makes an assessment prior to the due date for payment of the deferred portion for any negative contribution. The criteria for negative contribution are decided basis pre-defined financial benchmarks. The Bank has in place appropriate methods for prevention of vesting of deferred variable pay or any part thereof, on account of negative contribution. The Bank also has in place claw back arrangements in relation to amounts already paid in the eventuality of a negative contribution.

- Performance-linked Plans (PLPs)

PLPs are formulated for sales personnel who are given sales targets but have limited impact on risk since credit decisions are exercised independent of the sales function. All PLP payouts are based on a balanced scorecard framework and are subject to achievement of individual targets enumerated in the respective scorecards of the employees. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks.

Review of Remuneration Policy of the Bank during the past year:

The Compensation Policy of the Bank was reviewed by the NRC during the year and there were no material changes.

c) **Guaranteed Bonus**

Guaranteed Bonuses may not be consistent with sound risk management or pay for performance principles of the Bank and therefore do not form an integral part of the general compensation practice.

For critical hiring for some select strategic roles, the Bank may consider granting of a sign-on bonus as a prudent way to avoid loading the entire cost of attraction into the fixed component of the compensation which could have a long term cost implication for the Bank. For such hiring, the sign-on bonus is generally decided by taking into account appropriate risk factors and market conditions.

For hiring at levels of Whole Time Directors / Managing Director a sign-on bonus, if any, is limited to the first year only and is in the form of Employee Stock Options.

d) **Employee Stock Option Plan ('ESOP's)**

The Bank considers ESOPs as a vehicle to create a balance between short term rewards and long term sustainable value creation. ESOPs play a key role in the attraction and retention of key talent. The Bank grants equity share options to its Whole Time Directors and other employees above a certain grade. All plans for grant of options are framed in accordance with the SEBI guidelines, 1999 as amended from time to time and are approved by the shareholders of the Bank. These plans provide for the grant of options post approval by the NRC.

The grant of options is reviewed and approved by the NRC. The NRC grants options after considering parameters such as the incumbent's grade and performance rating, and such other appropriate relevant factors as may be deemed appropriate by the NRC. Equity share options granted to the Whole Time Directors are subject to the approval of the NRC, the Board and the RBI. With effect from April 1, 2017, the Bank has amended its policy for grant of ESOPs. Under this policy, ESOPs granted to eligible employees vest over three tranches spread over a period of 39 months vis-à-vis 36 months for the earlier grants. The first tranche will vest after fifteen months from the date of grant vis-à-vis twelve months for earlier grants. Vesting for all ESOPs granted subsequent to April 1, 2017 shall be based on the assessment of performance of the employee at the time of vesting.

e) Severance Pay

The Bank does not grant severance pay other than accrued benefits (such as gratuity, pension) except in cases where it is mandated by any statute.

f) Hedging

The Bank does not provide any facility or fund or permit its Whole Time Directors and employees to insure or hedge their compensation structure to offset the risk alignment effects embedded in their compensation arrangement.

g) Statutory Bonus

Some section of employees are also paid statutory bonus as per the Payment of Bonus Act (1965) as amended from time to time.

III. Remuneration Processes

Fitment at the time of Hire

Pay scales of the Bank are set basis the job size, experience, location and the academic and professional credentials of the incumbent.

The compensation of new hires is in line with the existing pay ranges and consistent with the compensation levels of the existing employees of the Bank at similar profiles. The pay ranges are subject to change basis market trends and the Bank's talent management priorities. While the Bank believes in the internal equity and parity as a key determinant of pay it does acknowledge the external competitive pressures of the talent market. Accordingly, there could be certain key profiles with critical competencies which may be hired at a premium and treated as an exception to the overall pay philosophy. Any deviation from the defined pay ranges is treated as a hiring exception requiring approval with appropriate justification.

Increment / Pay Revision

It is the endeavor of the Bank to ensure external competitiveness as well as internal equity without diluting the overall focus on optimising cost. In order to enhance our external competitiveness the Bank participates in an annual salary survey of the banking sector to understand key market trends as well as get insights on relative market pay position compared to peers. The Bank endeavors to ensure that most employees progress to the median of the market in terms of fixed pay over time. This coupled with key internal data indicators like performance score, job family, experience, job grade and salary budget form the basis of decision making on revisions in fixed pay.

Increments in fixed pay for majority of the employee population are generally undertaken effective April 1 every year. However promotions, confirmations and change in job dimensions could also lead to a change in the fixed pay during other times of the year.

The Bank also makes salary corrections and adjustments during the year for those employees whose compensation is found to be below the market pay and who have a good performance track record. However such pay revisions are done on an exception basis.

Risk, Control and Compliance Staff

The Bank has separated the Risk, Control and Compliance functions from the Business functions in order to create a strong culture of checks and balances thereby ensuring good asset quality and to eliminate any possible conflict of interest between revenue generation and risk management and control. Accordingly, the overall variable pay as well as the annual salary increment of the employees in the Risk, Control and Compliance functions is based on their performance, functional objectives and goals. The Bank ensures that the mix of fixed to variable compensation for these functions is weighted in favour of fixed compensation.

C. Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks

The Bank takes into account various types of risks in its remuneration processes. The Bank follows a comprehensive framework that includes within its ambit the key dimensions of remuneration such as fixed pay, variable pay and long term incentives (i.e. Employee Stock Options).

Fixed pay: The Bank conducts a comprehensive market benchmarking study to ensure that employees are competitively positioned in terms of fixed pay. The Bank follows a robust salary review process wherein revisions in fixed compensation are based on performance. The Bank also makes salary adjustments taking into consideration pay positioning of employees vis-à-vis market reference points. Through this approach the Bank endeavors to ensure that the talent risk due to attrition is mitigated as much as possible. Fixed Pay could be revised downwards as well in the event of certain proven cases of misconduct by an employee.

Variable pay: The Bank has distinct types of variable pay plans as given below:

(a) Quarterly / monthly performance-linked pay (PLP) plans:

All quarterly / monthly PLP plans are based on the principle of balanced scorecard framework that includes within its ambit both quantitative and qualitative factors including key strategic objectives that ensure future competitive advantage for the Bank. PLP plans, by design, have deterrents that play a role of moderating payouts based on the non-fulfillment of established quantitative / qualitative risk factors. Deterrents also include risks arising out of non-compliance, mis-sell etc. Further, a portion of all payouts under the PLP plans is deferred till the end of the year to provide for any unforeseen performance risks.

(b) Annual bonus plan:

The Bank takes into consideration the fact that a portion of the Bank's profits are directly attributable to various types of risks the Bank is exposed to such as credit risk, market risk, operational risk and other quantifiable risks.

The framework developed by the Bank in order to arrive at the quantum of bonus pool is based on the performance of the Bank and profitability. The annual bonus is distributed based on business unit and individual performance. The business unit performance is based on factors such as growth in revenue, growth in profit, cost to income ratio and achievement vis-à-vis plans and key objectives. Bonus pay out for an individual employee in a particular grade is linked to the performance rating of the employee and subject to meeting the Bank's standards of ethical conduct.

The Bank has devised appropriate malus and claw back clauses as a risk mitigant for any negative contributions of the Bank and / or relevant line of business in any year for Whole Time Directors. Under the malus clause the incumbent foregoes the vesting of the deferred variable pay in full or in part. Under the claw back clause the incumbent is obligated to return all the tranches of payout received of bonus amounts pertaining to the reference performance year. The deferred bonus is paid out post review and approval by the NRC.

The bonus for Whole Time Directors is capped at 70% of the fixed pay in a year. The variable pay for Whole Time Directors is approved by the NRC as well as the Board of Directors of the Bank and is subject to the approval of the RBI.

The variable pay component is paid out subject to the following conditions:

Where the variable pay constitutes 50% or more of the fixed pay, a portion of the same would be deferred as per the schedule mentioned in the table below:

Portion of Variable Pay	Timelines
60%	Payable effective April 1 of the financial year immediately following the performance year.
13.33%	Payable effective April 1 of the second financial year following the reference performance year.
13.33%	Payable effective April 1 of the third financial year following the reference performance year.
13.33%	Payable effective April 1 of the fourth financial year following the reference performance year.

(c) Long term incentives (employee stock options):

The Bank also grants employee stock options to employees in certain job bands. The grant is based on performance rating of the individual.

D. Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration

The Bank has a very comprehensive multi-dimensional performance measurement metrics that takes into consideration multiple factors that include qualitative as well as quantitative factors. The following are the key performance measurement metrics for the Bank. These also form part of the key metrics for the measurement of the performance of Whole Time Directors and impact the final remuneration:

A. Business Growth - This includes growth in advances and deposits;

B. Profitability - This includes growth in profit after tax;

C. Asset Quality - Gross NPA, Net NPA and % of Restructured assets to net advances;

D. Financial Soundness - Capital Adequacy Ratio Position and Tier I capital;

E. Shareholder value creation - Return on equity; and

F. Financial Inclusion - Growth in number of households covered, growth in the value of loans disbursed under this category and achievement against priority sector lending targets.

Most of the above parameters are evaluated in two steps:

A. Achievement against the plans of the Bank; and

B. Achievement against the performance of peers.

Apart from the factors related to business growth there is also a key qualitative factor such as regulatory compliance. Compliance is the key qualitative factor that acts as the moderator in the entire organisation evaluation process. A low score on compliance can significantly moderate the other performance measures and depending on severity may even nullify their impact.

While the above parameters form the core evaluation parameters for the Bank each of the business units are measured on the following from a remuneration standpoint:

A. Increase in plan over the previous year;

B. Actual growth in revenue over previous year;

C. Growth in net revenue (%);

D. Achievement of net revenue against plan (%);

E. Actual profit before tax;

F. Growth in profit before tax compared to the previous year;

G. Current cost to income; and

H. Improvement in cost to income over the previous year.

Apart from the above the business units are also measured against certain key business objectives that are qualitative in nature.

The process by which levels of remuneration in the Bank are aligned to the performance of the Bank, business unit and individual employees is articulated below.

Fixed Pay

At the conclusion of every financial year the Bank reviews the fixed pay portion of the compensation structure basis merit-based increments and market corrections. These are based on a combination of performance rating, job band and the functional category of the individual employee. For a given job band, the merit increment is directly related to the performance rating. The Bank strives to ensure that most employees progress to the median of the market in terms of fixed pay over time. All other things remaining equal, the correction percentage is directly related to the performance rating of the individual.

Variable Pay

Basis the performance of the business unit, individual performance and role, the Bank has formulated the following variable pay plans:

- **Annual Bonus Plan**

  The Bank's annual bonus is computed as a percentage of the gross salary for every job band. The bonus multiple is based on performance of the business unit (based on the parameters above), performance rating, job band and the functional category of the individual employee. The business performance level determines the multiplier for the bonus. All other things remaining equal, for a given job band, the bonus is directly related to the performance rating. The proportion of variable pay to fixed pay increases with job band. Employees on the annual bonus plan are not part of the PLPs.

- **Performance-linked Plans (PLPs)**

  The Bank has formulated PLPs for its sales personnel who are given sales targets basis a balanced scorecard methodology. All PLP payouts are subject to the achievement of individual targets enumerated in the respective scorecards of the employees and moderated by qualitative parameters. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks. All PLP plans are based on balanced scorecard framework.

E. Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance

A discussion of the Bank's policy on deferral and vesting of variable remuneration and a discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting

Whole Time Directors

The bonus for Whole Time Directors does not exceed 70% of the fixed pay in a year, thereby ensuring that there is a balance between the fixed and variable pay. The variable pay for Whole Time Directors is approved by the NRC as well as the Board and is subject to the approval of the RBI. The variable pay component is paid out subject to the following conditions:

- Where the variable pay constitutes 50% or more of the fixed pay, an appropriate portion thereof is deferred and vests as per the schedule mentioned in the table below:

Portion of Variable Pay	Timelines
60%	Payable effective April 1 of the financial year immediately following the performance year.
13.33%	Payable effective April 1 of the second financial year following the reference performance year.
13.33%	Payable effective April 1 of the third financial year following the reference performance year.
13.33%	Payable effective April 1 of the fourth financial year following the reference performance year.

- The Bank has devised appropriate malus and claw back clauses as a risk mitigant for any negative contributions of the Bank and / or relevant line of business in any year.

  ✓ Malus clause

  Under the malus clause the incumbent foregoes the vesting of the deferred variable pay in full or in part. In the event there is a deterioration in specific performance criteria (such as criteria relating to profit or asset quality) that are laid down by the NRC, then the NRC would review the deterioration in the performance taking into consideration the macroeconomic environment as well as internal performance indicators and accordingly decide whether any part of the deferred tranche pertaining to that financial year merits a withdrawal. The deferred bonus is paid out post review and approval by the NRC.

  ✓ Claw back clause

  Under the claw back clause the incumbent is obligated to return all the tranches of payout received of bonus amounts pertaining to the relevant performance year. In the event there is any act attributable to the concerned Whole Time Director / Managing Director resulting in an incident of willful and deliberate misinterpretation / misreporting of financial performance (inflating the financials) of the Bank, for a financial year, which comes to light in the subsequent three years, the incumbent is obligated to return all the tranches of bonus payout received pertaining to the relevant performance year.

The specific criteria on the applicability of malus and claw back arrangements are reviewed by the NRC annually.

Employees other than Whole Time Directors

The Bank has formulated the following variable pay plans:

- **Annual bonus plan**

  The quantum of variable payout is a function of the performance of the Bank, performance of the individual employee, job band of the employee and the functional category. Basis these key determinants and due adjustment for risk alignment, a payout matrix for variable pay is developed. Market trends for specific businesses / functions along with inputs from compensation surveys may also be used in finalising the payout.

  Bonus pools are designed to meet specific business needs therefore resulting in differentiation in both the quantum and the method of payout across functions. Typically higher levels of responsibility receive a higher proportion of variable pay vis-à-vis fixed pay. The Bank ensures that the time horizon for risk is assessed and the deferment period, if any, for bonus is set accordingly. Employees on the annual bonus plan are not part of the PLPs.

  The following is taken into account while administering the annual bonus:

  ✓ In the event the proportion of variable pay to fixed pay is substantially high (typically variable pay exceeding 50% of fixed pay), the Bank may devise an appropriate deferment schedule after taking into consideration the nature of risk, time horizon of risk, and the materiality of risk.

  ✓ In cases of deferment of variable pay the Bank makes an assessment prior to the due date for payment of the deferred portion for any negative contribution. The criteria for negative contribution are decided basis pre-defined financial benchmarks. The Bank has in place appropriate methods for prevention of vesting of deferred variable pay or any part thereof, on account of negative contribution. The Bank also has in place claw back arrangements in relation to amounts already paid in the eventuality of a negative contribution.

- **Performance-linked Plans (PLPs)**

  PLPs are formulated for sales personnel who are given sales targets but have limited impact on risk since credit decisions are exercised independent of the sales function. All PLP payouts are subject to the achievement of individual targets enumerated in the respective scorecards of the employees. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks.

F. Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the Bank utilises and the rationale for using these different forms

The Bank recognises the importance of variable pay in reinforcing a pay for performance culture. Variable pay stimulates employees to stretch their abilities to exceed expectations.

- **Annual bonus plan**

  These are paid to reward performance for a given financial year. This covers all employees and excludes employees receiving PLP payouts. This is based on performance of the business unit, performance rating, job band and functional category of the individual. For higher job bands the proportion of variable pay to total compensation tends to be higher.

- **Performance-linked Plans (PLPs)**

  These are paid to frontline sales staff for the achievement of specific sales targets but have limited impact on risk as credit decisions are exercised independent of the sales function. Further, it has been the endeavor of the Bank to ensure that the objectives set are based on the principles of a balanced scorecard that takes into account quantitative and qualitative measures rather than just the achievement of financial numbers. Further all PLPs have inherent risk adjustment mechanisms manifested in the form of deterrents. All PLP payouts are subject to the achievement of parameters, both qualitative and quantitative enumerated in the respective scorecards of the employees. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks.

- **Employee stock option plan**

  This is to reward for contribution of employees in creating a long term, sustainable earnings and enhancing shareholder value. Only employees in a certain job band and with a specific performance rating are eligible for stock options. Performance is the key criteria for granting stock options.

Quantitative disclosures

The quantitative disclosures cover the Bank's Whole Time Directors and Key Risk Takers. Key Risk Takers are individuals who can materially set, commit or control significant amounts of the Bank's resources, and / or exert significant influence over its risk profile. The Bank's Key Risk Takers include Whole Time Directors, Group Heads, Business Heads directly reporting to the Managing Director and select roles in the Bank's Treasury and Investment Banking functions.

Sr. No.	Subject	March 31, 2017	March 31, 2016
(a)	Number of meetings held by the NRC during the financial year and remuneration paid to its members	Number of meetings: 10 Remuneration paid: ₹ 0.20 crore	Number of meetings: 9 Remuneration paid: ₹ 0.17 crore
(b) (i)	Number of employees having received a variable remuneration award during the financial year	33 employees	30 employees
(b) (ii)	Number and total amount of sign-on awards made during the financial year	None	None
(b) (iii)	Number and total amount of guaranteed bonuses awarded during the financial year	None	None
(b) (iv)	Details of severance pay, in addition to accrued benefits, if any	None	None
(c) (i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 4.62 crore.	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 3.13 crore.
(c) (ii)	Total amount of deferred remuneration paid out in the financial year	₹ 1.45 crore	₹ 1.20 crore
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	₹ 54.75 crore (Fixed*) ₹ 12.90 crore (variable pay pertaining to financial year ended March 31, 2016, in relation to employees where there was no deferment of pay). ₹ 7.34 crore (variable pay pertaining to financial year ended March 31, 2016, in relation to employees where there was a deferment of pay), of which ₹ 4.41 crore was non-deferred variable pay and ₹ 2.93 crore was deferred variable pay. Number of stock options granted during the financial year: Nil	₹ 46.04 crore (Fixed*) ₹ 9.75 crore (variable pay pertaining to financial year ended March 31, 2015, in relation to employees where there was no deferment of pay). ₹ 6.32 crore (variable pay pertaining to financial year ended March 31, 2015, in relation to employees where there was a deferment of pay), of which ₹ 3.79 crore was non-deferred variable pay and ₹ 2.53 crore was deferred variable pay. Number of stock options granted during the financial year: 40,86,600
(e) (i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 4.62 crore.	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 3.13 crore.
(e) (ii)	Total amount of reductions during the financial year due to ex-post explicit adjustments	Nil	Nil
(e) (iii)	Total amount of reductions during the financial year due to ex-post implicit adjustments	Nil	Nil

* *Excludes gratuity benefits, since the same is computed at Bank level.*

26 Segment reporting

Business segments

Business segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by RBI. The Bank operates in the following segments:

a) Treasury

The treasury segment primarily consists of net interest earnings from the Bank's investment portfolio, money market borrowing and lending, gains or losses on investment operations and on account of trading in foreign exchange and derivative contracts.

b) Retail banking

The retail banking segment serves retail customers through a branch network and other delivery channels. This segment raises deposits from customers and provides loans and other services to customers with the help of specialist product groups. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof.

Revenues of the retail banking segment are derived from interest earned on retail loans, interest earned from other segments for surplus funds placed with those segments, subvention received from dealers and manufacturers, fees from services rendered, foreign exchange earnings on retail products etc. Expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.

c) Wholesale banking

The wholesale banking segment provides loans, non-fund facilities and transaction services to large corporates, emerging corporates, public sector units, government bodies, financial institutions and medium scale enterprises. Revenues of the wholesale banking segment consist of interest earned on loans made to customers, interest / fees earned on the cash float arising from transaction services, earnings from trade services and other non-fund facilities and also earnings from foreign exchange and derivative transactions on behalf of customers. The principal expenses of the segment consist of interest expense on funds borrowed from external sources and other internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, specialist product groups, processing units and support groups.

d) Other banking business

This segment includes income from para banking activities such as credit cards, debit cards, third party product distribution, primary dealership business and the associated costs.

e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes capital and reserves, debt classified as Tier I or Tier II capital and other unallocable assets and liabilities such as deferred tax, prepaid expenses, etc.

Segment revenue includes earnings from external customers plus earnings from funds transferred to other segments. Segment result includes revenue less interest expense less operating expense and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Interest income is charged by a segment that provides funding to another segment, based on yields benchmarked to an internally approved yield curve or at a certain agreed transfer price rate. Transaction charges are levied by the retail banking segment to the wholesale banking segment for the use by its customers of the retail banking segment's branch network or other delivery channels. Such transaction costs are determined on a cost plus basis. Segment capital employed represents the net assets in that segment.

Geographic segments

The geographic segments of the Bank are categorised as domestic operations and foreign operations. Domestic operations comprise branches in India and foreign operations comprise branches outside India.

Segment reporting for the year ended March 31, 2017 is given below:

Business segments: (₹ crore)

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	21,581.79	66,147.50	31,332.24	9,046.69	128,108.22
2	Unallocated revenue					-
3	Less: Inter-segment revenue					46,505.77
4	Income from operations (1) + (2) - (3)					81,602.45
5	Segment results	1,308.38	8,432.16	10,473.77	3,365.33	23,579.64
6	Unallocated expenses					1,440.55
7	Income tax expense (including deferred tax)					7,589.43
8	Net profit (5) - (6) - (7)					14,549.66
9	Segment assets	264,536.14	295,828.92	270,969.09	27,205.88	858,540.03
10	Unallocated assets					5,300.18
11	Total assets (9) + (10)					863,840.21
12	Segment liabilities	73,857.49	525,792.90	156,129.90	3,142.74	758,923.03
13	Unallocated liabilities					15,454.80
14	Total liabilities (12) + (13)					774,377.83
15	Capital employed (9) - (12) (Segment assets - Segment liabilities)	190,678.65	(229,963.98)	114,839.19	24,063.14	99,617.00
16	Unallocated (10) - (13)					(10,154.62)
17	Total (15) + (16)					89,462.38
18	Capital expenditure	32.85	846.56	150.30	97.69	1,127.40
19	Depreciation	10.15	659.66	90.78	72.53	833.12

Geographic segments: (₹ crore)

Particulars	Domestic	International
Revenue	80,578.80	1,023.65
Assets	839,928.73	23,911.48
Capital expenditure	1,125.94	1.46

Segment reporting for the year ended March 31, 2016 is given below:

Business segments: **(₹ crore)**

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	18,264.88	59,252.34	27,162.39	7,554.42	112,234.03
2	Unallocated revenue					-
3	Less: Inter-segment revenue					41,260.86
4	Income from operations (1) + (2) - (3)					70,973.17
5	Segment results	1,489.21	7,855.03	7,887.20	2,832.27	20,063.71
6	Unallocated expenses					1,425.77
7	Income tax expense (including deferred tax)					6,341.71
8	Net profit (5) - (6) - (7)					12,296.23
9	Segment assets	235,331.98	252,690.65	226,242.65	21,633.06	735,898.34
10	Unallocated assets					4,897.74
11	Total assets (9) + (10)					740,796.08
12	Segment liabilities	77,340.38	448,313.40	120,425.52	2,476.31	648,555.61
13	Unallocated liabilities					19,562.70
14	Total liabilities (12) + (13)					668,118.31
15	Capital employed (9) - (12) (Segment assets - Segment liabilities)	157,991.60	(195,622.75)	105,817.13	19,156.75	87,342.73
16	Unallocated (10) - (13)					(14,664.96)
17	Total (15) + (16)					72,677.77
18	Capital expenditure	5.09	729.46	134.59	69.70	938.84
19	Depreciation	6.16	540.47	101.67	57.54	705.84

Geographic segments: **(₹ crore)**

Particulars	Domestic	International
Revenue	69,816.77	1,156.40
Assets	704,839.20	35,956.88
Capital expenditure	937.95	0.89

27 Liquidity coverage ratio

Quantitative information on Liquidity Coverage Ratio (LCR) for year ended March 31, 2017 is given below: **(₹ crore)**

Particulars		Quarter ended March 31, 2017		Quarter ended December 31, 2016		Quarter ended September 30, 2016		Quarter ended June 30, 2016	
		Total unweighted value (average)*	Total weighted value (average)*	Total unweighted value (average)*	Total weighted value (average)*	Total unweighted value (average)*	Total weighted value (average)*	Total unweighted value (average)*	Total weighted value (average)*
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		137,711.74		149,957.35		128,702.05		109,539.23
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	417,330.77	38,198.75	415,071.84	37,863.08	373,552.53	34,159.65	359,804.34	32,862.93
(i)	*Stable deposits*	70,686.63	3,534.33	72,882.13	3,644.11	63,912.08	3,195.60	62,350.08	3,117.50
(ii)	*Less stable deposits*	346,644.14	34,664.42	342,189.71	34,218.97	309,640.45	30,964.05	297,454.26	29,745.43
3	Unsecured wholesale funding, of which:	184,624.84	91,871.70	184,555.12	93,303.55	173,841.76	87,591.52	157,036.26	80,630.67
(i)	*Operational deposits (all counterparties)*	27,567.30	6,814.73	26,530.40	6,556.63	24,314.59	6,008.20	21,290.21	5,262.08
(ii)	*Non-operational deposits (all counterparties)*	147,686.64	75,686.06	148,806.54	77,528.74	142,196.70	74,252.85	130,159.94	69,782.48
(iii)	*Unsecured debt*	9,370.90	9,370.91	9,218.18	9,218.18	7,330.47	7,330.47	5,586.11	5,586.11
4	Secured wholesale funding		161.11		-		2,150.00		-
5	Additional requirements, of which:	85,739.97	54,644.47	94,703.09	61,891.19	90,930.14	57,181.27	93,163.68	57,797.70
(i)	*Outflows related to derivative exposures and other collateral requirement*	44,943.06	44,943.06	51,903.36	51,903.36	47,316.91	47,316.91	46,907.18	46,907.18
(ii)	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
(iii)	*Credit and liquidity facilities*	40,796.91	9,701.41	42,799.73	9,987.83	43,613.23	9,864.36	46,256.50	10,890.52
6	Other contractual funding obligation	24,420.02	24,420.02	20,914.62	20,914.62	17,944.34	17,944.34	15,940.48	15,940.48
7	Other contingent funding obligations	52,591.16	2,596.66	50,409.16	1,512.27	49,183.26	1,475.50	47,915.37	1,437.46
8	**Total Cash Outflows**		**211,892.71**		**215,484.71**		**200,502.28**		**188,669.24**

For the year ended March 31, 2017

Quantitative information on Liquidity Coverage Ratio (LCR) for year ended March 31, 2017 is given below : (contd.) **(₹ crore)**

	Particulars	**Quarter ended March 31, 2017**		**Quarter ended December 31, 2016**		**Quarter ended September 30, 2016**		**Quarter ended June 30, 2016**	
		Total unweighted value (average)*	**Total weighted value (average)***	**Total unweighted value (average)***	**Total weighted value (average)***	**Total unweighted value (average)***	**Total weighted value (average)***	**Total unweighted value (average)***	**Total weighted value (average)***
Cash Inflows									
9	Secured lending (e.g. reverse repo)	-	-	1,333.33	-	5,033.33	-	1,355.17	3.28
10	Inflows from fully performing exposures	39,276.52	21,397.60	36,889.88	19,466.20	35,305.32	18,815.99	33,897.47	18,070.68
11	Other cash inflows	58,695.96	53,161.71	65,066.62	59,505.52	66,471.65	61,083.74	62,858.78	57,290.61
12	**Total Cash Inflows**	**97,972.48**	**74,559.31**	**103,289.83**	**78,971.72**	**106,810.30**	**79,899.73**	**98,111.42**	**75,364.57**
			Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
13	**TOTAL HQLA**		**137,711.74**		**149,957.35**		**128,702.05**		**109,539.23**
14	**Total Net Cash Outflows**		**137,334.40**		**136,512.99**		**120,602.55**		**113,304.67**
15	**Liquidity Coverage Ratio (%)**		**100.28%**		**109.85%**		**106.72%**		**96.68%**

* *In accordance with RBI guidelines, average weighted and unweighted amounts are calculated taking simple daily average for the quarter ended March 31, 2017 and simple average for the months in respective previous quarters in the financial year ended March 31, 2017.*

Qualitative disclosure on LCR

The Liquidity Coverage Ratio (LCR) is a global minimum standard for bank liquidity. It aims to ensure that a bank has an adequate stock of unencumbered High Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs for a 30 calendar day liquidity stress scenario.

The LCR is calculated by dividing the amount of High Quality Liquid unencumbered Assets (HQLA) by the estimated net outflows over a stressed 30 calendar day period. The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivative-related exposures, partially offset by inflows from assets maturing within 30 days. The average LCR for the quarter ended March 31, 2017 was at 100.28%, above the RBI prescribed minimum requirement of 80%. The average HQLA was ₹ 137,711.74 crore of which government securities constituted about 75%. The outflows related to derivative exposures (net of cash inflows) / collateral requirements and undrawn commitments constituted about 0.3% and 5% respectively of average cash outflow of ₹ 211,892.70 crore. Average inflows from assets were ₹ 74,559.31 crore.

Average LCR compared to previous quarter ended December 31, 2016 has remained relatively stable with a slight decrease in the average HQLA position mainly on account of decrease in unencumbered SLR securities.

Average LCR has been continuously increasing compared to that in the previous year ended March 31, 2016 primarily driven by increase in the average HQLA position on account of increase in liquid investments as well as additional FALLCR (1% of NDTL) permitted by RBI to be considered as HQLA from July 2016.

A strong and diversified liabilities profile has been at the helm on Bank's growth strategy. The Bank has consistently maintained a robust funding profile with a significant portion of funding through deposits. As at March 31, 2017 the top 20 depositors comprised around 5% of total deposits.

For the year ended March 31, 2017

Quantitative information on Liquidity Coverage Ratio (LCR) for year ended March 31, 2016 is given below: **(₹ crore)**

	Particulars	Quarter ended March 31, 2016		Quarter ended December 31, 2015		Quarter ended September 30, 2015		Quarter ended June 30, 2015	
		Total unweighted value (average)*	Total weighted value (average)*	Total unweighted value (average)*	Total weighted value (average)*	Total unweighted value (average)*	Total weighted value (average)*	Total unweighted value (average)*	Total weighted value (average)*
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		87,390.70		82,923.58		85,380.05		84,103.02
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	345,295.41	31,521.71	336,581.15	30,736.15	327,063.80	29,851.26	303,371.26	27,605.03
(i)	*Stable deposits*	60,156.65	3,007.83	58,439.26	2,921.96	57,102.27	2,855.11	54,641.85	2,732.09
(ii)	*Less stable deposits*	285,138.76	28,513.88	278,141.89	27,814.19	269,961.53	26,996.15	248,729.41	24,872.94
3	Unsecured wholesale funding, of which:	152,346.46	77,310.79	150,761.23	78,144.79	143,971.45	76,153.26	132,334.88	67,639.08
(i)	*Operational deposits (all counterparties)*	25,513.50	6,310.16	21,315.02	5,260.88	20,460.39	5,067.45	21,646.72	5,345.21
(ii)	*Non-operational deposits (all counterparties)*	120,422.61	64,590.28	120,973.12	64,410.82	117,518.89	65,093.64	105,628.67	57,234.38
(iii)	*Unsecured debt*	6,410.35	6,410.35	8,473.09	8,473.09	5,992.17	5,992.17	5,059.49	5,059.49
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which:	97,373.97	61,003.46	104,680.45	57,231.91	167,835.96	111,671.11	185,435.72	129,455.26
(i)	*Outflows related to derivative exposures and other collateral requirement*	49,752.81	49,752.81	46,028.74	46,028.74	101,182.99	101,182.99	118,889.35	118,889.35
(ii)	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
(iii)	*Credit and liquidity facilities*	47,621.16	11,250.65	58,651.71	11,203.17	66,652.97	10,488.12	66,546.37	10,565.91
6	Other contractual funding obligation	14,349.84	14,349.84	12,831.35	12,831.35	13,763.63	13,763.63	14,798.60	14,798.60
7	Other contingent funding obligations	46,936.27	1,724.24	45,128.25	2,256.41	42,615.71	2,130.79	43,401.88	2,170.09
8	**Total Cash Outflows**		**185,910.04**		**181,200.61**		**233,570.05**		**241,668.06**

Quantitative information on Liquidity Coverage Ratio (LCR) for year ended March 31, 2016 is given below: (contd.) **(₹ crore)**

	Particulars	Quarter ended March 31, 2016		Quarter ended December 31, 2015		Quarter ended September 30, 2015		Quarter ended June 30, 2015	
		Total unweighted value (average)*	Total weighted value (average)*	Total unweighted value (average)*	Total weighted value (average)*	Total unweighted value (average)*	Total weighted value (average)*	Total unweighted value (average)*	Total weighted value (average)*
Cash Inflows									
9	Secured lending (e.g. reverse repo)	166.67	-	39.05	5.86	5,333.33	-	3,212.00	-
10	Inflows from fully performing exposures	32,497.40	17,346.90	29,098.80	15,554.48	28,536.42	15,502.29	25,435.62	13,600.86
11	Other cash inflows	65,636.78	60,149.17	58,287.62	52,863.62	116,296.73	110,836.09	134,027.18	129,022.10
12	**Total Cash Inflows**	**98,300.85**	**77,496.07**	**87,425.47**	**68,423.96**	**150,166.48**	**126,338.38**	**162,674.80**	**142,622.96**
			Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
13	**TOTAL HQLA**		**87,390.70**		**82,923.58**		**85,380.05**		**84,103.02**
14	**Total Net Cash Outflows**		**108,413.96**		**112,776.65**		**107,231.67**		**99,045.10**
15	**Liquidity Coverage Ratio (%)**		**80.61%**		**73.53%**		**79.62%**		**84.91%**

** The average weighted and unweighted amounts are calculated taking simple average for the months in the respective quarters*

Qualitative disclosure on LCR

The Liquidity Coverage Ratio (LCR) is a global minimum standard for bank liquidity. It aims to ensure that a bank has an adequate stock of unencumbered High-Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs for a 30 calendar day liquidity stress scenario.

The LCR is calculated by dividing the amount of High Quality Liquid unencumbered Assets (HQLA) by the estimated net outflows over a stressed 30 calendar day period. The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivative-related exposures, partially offset by inflows from assets maturing within 30 days. The average LCR was at 80.61% for the quarter ended March 31, 2016. The average HQLA was ₹ 87,390.70 crore of which government securities constituted about 73%. The outflows related to derivative exposures (net of cash inflows) / collateral requirements and undrawn commitments constituted about 2% and 6% respectively of average cash outflow of ₹ 185,910.04 crore. Average inflows from assets were ₹ 77,496.07 crore.

Average LCR for the quarter ended March 31, 2016 was 80.61%, which was above the RBI prescribed minimum requirement of 70%.

Major reasons for movement in average LCR as compared to the previous quarter ended December 31, 2015 are as follows:

- HQLA for the quarter ended March 31, 2016 increased as additional FALLCR (3% of NDTL) was permitted by RBI to be considered as HQLA from February 2016.
- Within the unsecured wholesale funding, the proportion of unsecured debt which attracts higher outflow factors decreased.
- Within the retail deposits, the proportion of less stable funding which attract higher outflow factors increased.
- Inflows from performing advances increased.
- Other cash inflows increased mainly on account of increase in inflows from short term lending.

A strong and diversified liabilities profile has been at the helm on Bank's growth strategy. The Bank has consistently maintained a robust funding profile with a significant portion of funding through deposits. As at March 31, 2016 the top 20 depositors comprised around 5% of total deposits.

Note: CCIL guaranteed deals were netted for computing foreign exchange & derivative values with effect from quarter ended December 31, 2015. Hence, the numbers for serial number 5(i) and 11 are not strictly comparable with those of the previous quarters.

28 Related party disclosures

As per AS-18, Related Party Disclosure, the Bank's related parties are disclosed below:

Promoter

Housing Development Finance Corporation Limited

Subsidiaries

HDFC Securities Limited

HDB Financial Services Limited

Associates

International Asset Reconstruction Company Private Limited

Atlas Documentary Facilitators Company Private Limited*

HBL Global Private Limited*

**Atlas Documentary Facilitators Company Private Limited and HBL Global Private Limited amalgamated with HDB Financial Services Limited pursuant to the approval of the Honourable High courts of Gujarat and Bombay with effect from December 1, 2016. The appointed date of the merger as per the scheme of amalgamation was April 1, 2014. Accordingly, transactions entered into by the Bank with these entities during the financial year ended March 31, 2017 have been disclosed under transactions with HDB Financial Services Limited.*

Welfare trust of the Bank

HDB Employees Welfare Trust

Key management personnel

Aditya Puri, Managing Director

Paresh Sukthankar, Deputy Managing Director

Kaizad Bharucha, Executive Director

Related parties to key management personnel

Salisbury Investments Private Limited, Tanaksh Innovations Private Limited, Akuri by Puri, Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad, Havovi Bharucha, Huzaan Bharucha, Danesh Bharucha, Daraius Bharucha.

In accordance with paragraph 5 of AS-18, the Bank has not disclosed certain transactions with relatives of key management personnel as they are in the nature of banker-customer relationship.

The significant transactions between the Bank and related parties for year ended March 31, 2017 are given below. A specific related party transaction is disclosed as a significant transaction wherever it exceeds 10% of all related party transactions in that category:

For the year ended March 31, 2017

- Interest paid: HDFC Securities Limited ₹ 25.03 crore (previous year: ₹ 18.96 crore); HDB Financial Services Limited ₹ 7.17 crore (previous year: ₹ 4.52 crore); Housing Development Finance Corporation Limited ₹ 5.57 crore (previous year: ₹ 7.25 crore).
- Interest received: HDB Financial Services Limited ₹ 139.21 crore (previous year: ₹ 100.06 crore).
- Rendering of services: Housing Development Finance Corporation Limited ₹ 207.45 crore (previous year: ₹ 178.83 crore).
- Receiving of services: HDB Financial Services Limited ₹ 1,453.54 crore (previous year 79.87 crore); Housing Development Finance Corporation Limited ₹ 343.10 crore (previous year: ₹ 247.21 crore).
- Dividend paid: Housing Development Finance Corporation Limited ₹ 373.55 crore (previous year: ₹ 314.57 crore).
- Dividend received: HDB Financial Services Limited ₹ 102.22 crore (previous year: ₹ 88.40 crore); HDFC Securities Limited ₹ 60.64 crore (previous year: ₹ 60.64 crore).
- Purchase of fixed assets: HDB Financial Services Limited ₹ 0.23 crore (previous year: Nil).

The Bank's related party balances and transactions for the year ended March 31, 2017 are summarised as follows: **(₹ crore)**

Items / Related party	Promoter	Subsidiaries	Associates	Key management personnel	Total
Deposits taken	2,500.25 (2,500.25)	597.93 (816.14)	25.05 (25.05)	13.61 (60.14)	3,136.84 (3,401.58)
Deposits placed	0.15 (0.15)	10.62 (10.65)	- -	2.51 (2.51)	13.28 (13.31)
Advances given	- -	1,180.15 (1,588.18)	0.05 (0.05)	3.44 (3.44)	1,183.64 (1,591.67)
Fixed assets purchased from	-	0.23	-	-	0.23
Fixed assets sold to	-	-	-	-	-
Interest paid to	5.57	32.20	0.51	1.02	39.30
Interest received from	-	139.21	-	0.03	139.24
Income from services rendered to	207.45	28.37	-	-	235.82
Expenses for receiving services from	343.10	1,456.69	-	0.76	1,800.55
Equity investments	- -	3,812.15 (3,812.15)	31.17 (31.17)	- -	3,843.32 (3,843.32)
Other investments	- (126.48)	675.00 (675.00)	- -	- -	675.00 (801.48)
Dividend paid to	373.55	-	-	4.49	378.04
Dividend received from	-	162.86	-	-	162.86
Receivable from	23.16 (23.16)	2.05 (2.38)	- -	- -	25.21 (25.54)
Payable to	33.67 (33.67)	103.25 (137.18)	- -	- -	136.92 (170.85)
Guarantees given	0.12 (0.14)	- (0.05)	- -	- -	0.12 (0.19)
Remuneration paid	-	-	-	20.79	20.79
Loans purchased from	13,845.65	-	-	-	13,845.65

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Remuneration paid excludes value of employee stock options exercised during the year.

The Bank being an authorised dealer, deals in foreign exchange and derivative transactions with parties which include its promoter. The foreign exchange and derivative transactions are undertaken in line with the RBI guidelines. The notional principal amount of foreign exchange and derivative contracts transacted with the promoter that were outstanding as at March 31, 2017 is ₹ 665.77 crore (previous year: ₹ 491.21 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is ₹ 40.18 crore (previous year: ₹ 18.90 crore).

During the year ended March 31, 2017, the Bank purchased debt securities from Housing Development Finance Corporation Limited ₹ 2,320.00 crore (previous year: ₹ 1,415.00 crore) and from HDB Financial Services Limited ₹ 1,427.00 crore (previous year: ₹ 322.00 crore) issued by these entities.

During the year ended March 31, 2017, the Bank has made no investment (previous year: ₹ 1,748.66 crore) in pass through certificates in respect of assets securitised out by HDB Financial Services Limited.

During the year ended March 31, 2017, the Bank paid rent of ₹ 0.66 crore (previous year: ₹ 0.66 crore) to parties related to the Bank's key management personnel in relation to residential accommodation. As at March 31, 2017, the security deposit outstanding was ₹ 3.50 crore (previous year: ₹ 3.50 crore).

The deposit outstanding from HDB Employees Welfare Trust as at March 31, 2017 was ₹ 48.52 crore (previous year: ₹ 46.46 crore). The Bank also paid interest on deposit from HDB Employees Welfare Trust aggregating to ₹ 3.68 crore (previous year: ₹ 3.88 crore).

The Bank's related party balances and transactions for the year ended March 31, 2016 are summarised as follows:

(₹ crore)

Items / Related party	Promoter	Subsidiaries	Associates	Key management personnel	Total
Deposits taken	4,405.56 (4,405.56)	509.86 (811.10)	100.02 (100.02)	10.12 (11.50)	5,025.56 (5,328.18)
Deposits placed	0.15 (0.15)	10.51 (10.51)	0.10 (7.10)	2.51 (2.51)	13.27 (20.27)
Advances given	- -	1,590.12 (1,590.12)	0.22 (36.95)	0.95 (0.99)	1,591.29 (1,628.06)
Fixed assets purchased from	-	0.12	-	-	0.12
Fixed assets sold to	-	-	-	-	-
Interest paid to	7.25	23.48	3.89	0.84	35.46
Interest received from	-	100.06	2.27	0.02	102.35
Income from services rendered to	178.83	24.12	6.07	-	209.02
Expenses for receiving services from	247.21	81.77	1,173.64	0.76	1,503.38
Equity investments	- -	2,751.77 (2,751.77)	31.19 (31.19)	- -	2,782.96 (2,782.96)
Dividend paid to	314.57	-	-	3.37	317.94
Dividend received from	-	149.04	0.01	-	149.05
Receivable from	16.30 (28.42)	0.08 (1.81)	- (0.38)	- -	16.38 (30.61)
Payable to	26.93 (26.93)	21.57 (25.65)	39.85 (102.70)	- -	88.35 (155.28)
Guarantees given	0.14 (0.14)	0.05 (0.05)	- -	- -	0.19 (0.19)
Remuneration paid	-	-	-	18.34	18.34
Loans purchased from	12,773.37	-	-	-	12,773.37

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Remuneration paid excludes value of employee stock options exercised during the year.

29 Intra-Group exposure

Intra-Group exposures in accordance with RBI guidelines are as follows: **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Total amount of intra-group exposures	4,502.47	2,413.58
Total amount of top 20 intra-group exposures	4,502.47	2,413.58
Percentage of intra-group exposures to total exposure of the Bank on borrowers / customers	0.48%	0.33%
Details of breach of limits on intra-group exposures and regulatory action thereon, if any	Nil	Nil

30 Leases

Operating leases primarily comprise office premises, staff residences and Automated Teller Machines (‘ATM’s), which are renewable at the option of the Bank. The details of maturity profile of future operating lease payments are given below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Not later than one year	939.53	887.30
Later than one year and not later than five years	2,980.22	2,805.03
Later than five years	3,043.98	2,481.82
Total	**6,963.73**	**6,174.15**
The total of minimum lease payments recognised in the Statement of Profit and Loss for the year	1,094.86	1,005.70
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	25.33	37.13
Sub-lease amounts recognised in the Statement of Profit and Loss for the year	11.31	10.67
Contingent (usage based) lease payments recognised in the Statement of Profit and Loss for the year	138.79	180.53

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

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

31 Transfers to Depositor Education and Awareness Fund (DEAF)

The details of amount transferred during the respective year to DEAF are as under: **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Opening balance of amounts transferred to DEAF	136.85	92.14
Add: Amounts transferred to DEAF during the year	95.10	45.89
Less: Amounts reimbursed by DEAF towards claims	(1.45)	(1.18)
Closing balance of amounts transferred to DEAF	230.50	136.85

For the year ended March 31, 2017

32 Penalties levied by the RBI

Further to the media reports in October 2015 about irregularities in advance import remittances in various banks, the Reserve Bank of India (RBI) had conducted a scrutiny of the transactions carried out by the Bank under Section 35(1A) of the Banking Regulation Act, 1949. The RBI issued a Show Cause Notice to which the Bank had submitted its detailed response. After considering the Bank's submission, the RBI imposed a penalty of ₹ 2.00 crore on the Bank vide its letter dated July 19, 2016 on account of pendency in receipt of bill of entry relating to advance import remittances made and lapses in adhering to KYC / AML guidelines in this respect. The penalty has since been paid. The Bank has implemented a comprehensive corrective action plan, to strengthen its internal control mechanisms so as to ensure that such incidents do not recur. The above matter does not constitute a material weakness or significant deficiency in the framework of internal financial controls over financial reporting maintained by the Bank under Section 134(3)(q) of the Companies Act 2013.

During the year ended March 31, 2016, RBI had not imposed any penalties on the Bank.

33 Disclosure for customer complaints / unimplemented awards of Banking Ombudsman

- **Customer complaints**

(A) Customer complaints other than ATM transaction disputes

Particulars	March 31, 2017	March 31, 2016
(a) No. of complaints pending at the beginning of the year	651	496
(b) No. of complaints received during the year	96,454	62,224
(c) No. of complaints redressed during the year	94,756	62,069
(d) No. of complaints pending at the end of the year	2,349	651

(B) ATM transaction disputes relating to the Bank's customers on the Bank's ATMs

Particulars	March 31, 2017	March 31, 2016
(a) No. of complaints pending at the beginning of the year	101	71
(b) No. of complaints received during the year	12,703	13,170
(c) No. of complaints redressed during the year	12,659	13,140
(d) No. of complaints pending at the end of the year	145	101
(e) Complaints per ten thousand transactions	0.62	0.50

(C) ATM transaction disputes relating to the Bank's customers on other banks' ATMs

Particulars	March 31, 2017	March 31, 2016
(a) No. of complaints pending at the beginning of the year	1,118	1,334
(b) No. of complaints received during the year	95,415	89,975
(c) No. of complaints redressed during the year	95,069	90,191
(d) No. of complaints pending at the end of the year	1,464	1,118
(e) Complaints per ten thousand transactions	3.69	3.86

(D) Total customer complaints and ATM transaction disputes [total of tables (A), (B) and (C) above]

Particulars	March 31, 2017	March 31, 2016
(a) No. of complaints pending at the beginning of the year	1,870	1,901
(b) No. of complaints received during the year	2,04,572	1,65,369
(c) No. of complaints redressed during the year	2,02,484	1,65,400
(d) No. of complaints pending at the end of the year	3,958	1,870

Note: ATM transaction disputes reported in the above tables are in accordance with RBI guidelines on disclosure of customer complaints.

- **Awards passed by the Banking Ombudsman (BO)**

Particulars	March 31, 2017	March 31, 2016
(a) No. of unimplemented awards at the beginning of the year	-	-
(b) No. of awards passed by the BO during the year	-	-
(c) No. of awards implemented during the year	-	-
(d) No. of unimplemented awards at the end of the year	-	-

- **Top areas of customer complaints**

The average number of customer complaints per branch, including ATM transaction disputes, was 3.7 per month during the year ended March 31, 2017 (previous year: 3.3 per month). For the year ended March 31, 2017, retail liability segment accounted for 74.61% of the total complaints (a reduction from 82.60% for the previous year) followed by credit cards at 18.15% of the total complaints (an increase from 11.86% for the previous year), retail assets at 6.08% of the total complaints (an increase from 3.68% for the previous year), while other segments accounted for 1.16% of total complaints (as against 1.86% in the previous year). The top 10 areas of customer complaints for the year ended March 31, 2017, including ATM transaction disputes, accounted for 1,48,462 complaints and were 72.57% of total complaints as against 1,23,323 complaints which were 74.57% of the total complaints for the year ended March 31, 2016. The top 5 areas of customer complaints on which the Bank is working towards root cause remediation are - 'cash not dispensed or less cash dispensed in the Bank's ATMs', phishing / unauthorized usage through debit card online, transaction dispute related – credit cards, phishing / unauthorized usage through debit card done at other bank's ATM outlets and customer disputes relating to EMI / ROI / Tenor / Loan Amount.

- **Position of BO complaints as per RBI annual report**

As per a report published by the RBI for the year ended June 30, 2016, the number of BO complaints per branch for the Bank was 1.68 (previous year: 1.36). The number of BO complaints other than credit cards per 1,000 accounts was at 0.13 (previous year: 0.10).The number of BO complaints (credit card related) per 1,000 cards was at 0.08 (previous year: 0.06) for the Bank.

34 Disclosure of Letters of Comfort (LoC) issued by the Bank

The Bank has not issued any Letter of Comfort during the years ended March 31, 2017 and March 31, 2016.

For the year ended March 31, 2017

35 Small and micro industries

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

36 Overseas assets, NPAs and revenue **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Total Assets	23,911.48	35,956.88
Total NPAs	121.59	124.23
Total Revenue	1,023.65	1,156.39

37 Off-Balance Sheet SPVs

There are no Off-Balance Sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.

38 Credit default swaps

The Bank has not transacted in credit default swaps during the year ended March 31, 2017 (previous year: Nil).

39 Corporate social responsibility

Operating expenses include ₹ 305.42 crore (previous year: ₹ 194.81 crore) for the year ended March 31, 2017 towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013.

The Bank has spent 2.0% (previous year: 1.6%) of its average net profit for the last three financial years as part of its CSR for the year ended March 31, 2017. As a responsible bank, it has approached the mandatory requirements of CSR spends positively by laying a foundation on which it would build and scale future projects and partnerships. The Bank continues to evaluate strategic avenues for CSR expenditure in order to deliver maximum impact. In the years to come, the Bank will further strengthen its processes as per requirement.

The details of amount spent during the respective year towards CSR are as under: **(₹ crore)**

Sr. No.	Particulars	March 31, 2017			March 31, 2016		
		Amount spent	Amount unpaid / provision	Total	Amount spent	Amount unpaid / provision	Total
(i)	Construction / acquisition of any asset	-	-	-	-	-	-
(ii)	On purpose other than (i) above	305.42	-	305.42	186.46	8.35	194.81

40 Investor education and protection fund

There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank.

For the year ended March 31, 2017

41 Disclosure on remuneration to Non-Executive Directors

Remuneration by way of sitting fees to the Non-Executive Directors for attending meetings of the Board and its committees during the year ended March 31, 2017 amounted to ₹ 1.67 crore (previous year: ₹ 1.33 crore).

Further, in accordance with RBI guidelines, profit related commission to all Non-Executive Directors other than the Chairperson for the year ended March 31, 2017 amounted to ₹ 0.80 crore (previous year: ₹ 0.60 crore).

42 Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

For and on behalf of the Board

Shyamala Gopinath
Chairperson

Aditya Puri
Managing Director

Paresh Sukthankar
Deputy Managing Director

Kaizad Bharucha
Executive Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Sashidhar Jagdishan
Chief Financial Officer

Anami Roy
Bobby Parikh
Keki Mistry
Malay Patel
Partho Datta
Renu Karnad
Srikanth Nadhamuni
Umesh Sarangi
Directors

Mumbai, April 21, 2017

HDFC BANK
We understand your world

To the Members of HDFC Bank Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of **HDFC BANK LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its associate, comprising the Consolidated Balance Sheet as at 31st March, 2017, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements") - [See paragraph 5 below]

2. **Management's Responsibility for the Consolidated Financial Statements**

   The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group and its associate in accordance with provisions of Section 29 of the Banking Regulation Act, 1949, the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, and guidelines issued by the Reserve Bank of India as applicable to the respective entities. The respective Board of Directors of the companies included in the Group and the associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and the associate and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company.

3. **Auditor's Responsibility**

   Our responsibility is to express an opinion on these consolidated financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

   We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, and evaluating the overall presentation of the consolidated financial statements.

   We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their report referred to in sub-paragraph (a) of paragraph 5 below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

4. **Opinion**

   In our opinion and to the best of our information and according to the explanations given to us and based on the matters referred to in paragraph 5 below, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associate as at 31st March, 2017, and the consolidated profit and consolidated cash flows for the year ended on that date.

5. **Other Matters**

   a) We did not audit the financial statements of a subsidiary whose financial statements reflect total assets of ₹ 3,352,692 lacs as at 31st March, 2017, total revenues of ₹ 572,450 lacs and net cash (outflows) amounting to ₹ 2,032 lacs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose report has been furnished to us by the

Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, and our report in terms of subsection (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary is based solely on the report of the other auditors.

b) The consolidated financial statements also include the Group's share of net profit of ₹ 234 lacs for the year ended 31st March, 2017, as considered in the consolidated financial statements, in respect of an associate, whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate, is based solely on such unaudited financial statements as certified by the Management of that associate. In our opinion and according to the information and explanations given to us by the Holding Company's Management, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the management of the associate.

6. Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of the report of the other auditors on separate financial statements of a subsidiary referred to in paragraph 5 above we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the report of the other auditors.

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.

(e) On the basis of the written representations received from the directors of the Holding Company as at 31st March, 2017 taken on record by the Board of Directors of the Holding Company and the report of the statutory auditors of the subsidiary company not audited by us, none of the directors of the Group companies is disqualified as at 31st March, 2017 from being appointed as a director in terms of Section 164(2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Group's internal financial controls over financial reporting.

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group;

ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 117365W)

Porus B. Pardiwalla
Partner
(Membership No. 40005)

Mumbai
April 21, 2017

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph f under 'Report on Other Legal and Regulatory Requirements' section of the auditor's report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Holding Company for the year as of and for the year ended 31st March, 2017 we have audited the internal financial controls over financial reporting of the Group [See paragraphs 1 and 5 of our Report on the Consolidated Financial Statements].

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company and its subsidiary companies and its associate company, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines issued by the Reserve Bank of India.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting, based on our audit. We conducted our audit in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

An audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors, in terms of their report referred to in paragraph 5 of our Report on the Consolidated Financial Statements, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Holding Company and its subsidiary companies, which are companies incorporated in India.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion to the best of our information and according to the explanations given to us and based on the matters referred to in paragraph 5 of our Report on the Consolidated Financial Statements, the Group has in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Our opinion is not modified in respect of the matters referred to in paragraph 5 of our Report on the Consolidated Financial Statements.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 117365W)

Porus B. Pardiwalla
Partner
(Membership No. 40005)

Mumbai
April 21, 2017

Consolidated Balance Sheet

As at March 31, 2017

₹ in '000

	Schedule	As at 31-Mar-17	As at 31-Mar-16
CAPITAL AND LIABILITIES			
Capital	1	**5,125,091**	5,056,373
Reserves and surplus	2	**912,814,397**	737,984,869
Minority interest	2A	**2,914,389**	1,806,228
Deposits	3	**6,431,342,479**	5,458,732,889
Borrowings	4	**984,156,439**	1,037,139,597
Other liabilities and provisions	5	**587,088,812**	381,403,308
	Total	**8,923,441,607**	7,622,123,264
ASSETS			
Cash and balances with Reserve Bank of India	6	**379,105,485**	300,765,846
Balances with banks and money at call and short notice	7	**114,005,711**	89,922,969
Investments	8	**2,107,771,120**	1,936,338,475
Advances	9	**5,854,809,871**	4,872,904,174
Fixed assets	10	**38,146,997**	34,796,976
Other assets	11	**429,602,423**	387,394,824
	Total	**8,923,441,607**	7,622,123,264
Contingent liabilities	12	**8,182,842,892**	8,535,273,826
Bills for collection		**308,480,352**	234,899,997
Significant accounting policies and notes to the Consolidated financial statements	17 & 18		
The schedules referred to above form an integral part of the Consolidated Balance Sheet			

As per our report of even date.

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005

Mumbai, April 21, 2017

For and on behalf of the Board

Shyamala Gopinath
Chairperson

Paresh Sukthankar
Deputy Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Aditya Puri
Managing Director

Kaizad Bharucha
Executive Director

Sashidhar Jagdishan
Chief Financial Officer

Anami Roy
Bobby Parikh
Keki Mistry
Malay Patel
Partho Datta
Renu Karnad
Srikanth Nadhamuni
Umesh Sarangi
Directors

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Consolidated Statement of Profit and Loss

For the year ended March 31, 2017

₹ in '000

		Schedule	Year ended 31-Mar-17	Year ended 31-Mar-16
I	**INCOME**			
	Interest earned	13	**732,713,529**	631,615,614
	Other income	14	**128,776,329**	112,116,541
		Total	**861,489,858**	743,732,155
II	**EXPENDITURE**			
	Interest expended	15	**380,415,844**	340,695,748
	Operating expenses	16	**207,510,707**	178,318,808
	Provisions and contingencies		**120,689,285**	96,544,349
		Total	**708,615,836**	615,558,905
III	**PROFIT**			
	Net profit for the year		**152,874,022**	128,173,250
	Less: Minority interest		**367,165**	197,212
	Add: Share in profits of associates		**23,393**	37,278
	Consolidated profit for the year attributable to the Group		**152,530,250**	128,013,316
	Impact on amalgamation [Refer Schedule 18(1)]		**274,507**	-
	Balance in Profit and Loss account brought forward		**248,255,886**	195,508,642
		Total	**401,060,643**	323,521,958
IV	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		**37,771,634**	31,809,345
	Proposed dividend [Refer Schedule 18(3)]		**-**	24,017,772
	Tax (including cess) on interim / proposed dividend		**255,959**	5,123,529
	Dividend (including tax / cess thereon) pertaining to previous year paid during the year, net of dividend tax credits		**(16,909)**	(117,135)
	Transfer to General Reserve		**14,549,641**	12,296,213
	Transfer to Capital Reserve		**3,134,100**	2,221,532
	Transfer to / (from) Investment Reserve Account		**42,934**	(85,184)
	Balance carried over to Balance Sheet		**345,323,284**	248,255,886
		Total	**401,060,643**	323,521,958
V	**EARNINGS PER EQUITY SHARE (Face value ₹ 2 per share)**		₹	₹
	Basic		**59.95**	50.85
	Diluted		**59.16**	50.24
	Significant accounting policies and notes to the Consolidated financial statements	17 & 18		
	The schedules referred to above form an integral part of the Consolidated Statement of Profit and Loss			

As per our report of even date.

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005

Mumbai, April 21, 2017

For and on behalf of the Board

Shyamala Gopinath
Chairperson

Paresh Sukthankar
Deputy Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Aditya Puri
Managing Director

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Renu Karnad
Srikanth Nadhamuni
Umesh Sarangi
Directors

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Consolidated Cash Flow Statement

For the year ended March 31, 2017

₹ in '000

	Year ended 31-Mar-17	Year ended 31-Mar-16
Cash flows from operating activities		
Consolidated profit before income tax	**233,311,478**	194,949,948
Adjustments for:		
Depreciation on fixed assets	**8,861,876**	7,380,326
(Profit) / loss on revaluation of investments	**(87,543)**	173,689
Amortisation of premia on held to maturity investments	**1,756,569**	1,002,801
(Profit) / loss on sale of fixed assets	**16,229**	1,185
Provision / charge for non performing assets	**37,024,296**	25,179,864
Provision for dimunition in value of Investments	**(76,417)**	146,543
Floating provisions	**250,000**	1,150,000
Provision for standard assets	**4,312,322**	4,648,890
Contingency provisions	**388,440**	218,602
Share in current year's profits of associates	**(23,393)**	(37,278)
	285,733,857	234,814,570
Adjustments for:		
(Increase) / decrease in investments (excluding investments in subsidiaries)	**(173,257,700)**	(391,159,616)
(Increase) / decrease in advances	**(1,018,904,990)**	(1,066,012,996)
Increase / (decrease) in deposits	**972,609,590**	955,896,412
(Increase) / decrease in other assets	**(44,855,329)**	(38,485,747)
Increase / (decrease) in other liabilities and provisions	**228,337,692**	31,324,658
	249,663,120	(273,622,719)
Direct taxes paid (net of refunds)	**(76,847,189)**	(70,730,944)
Net cash flow (used in) / from operating activities	**172,815,931**	(344,353,663)
Cash flows used in investing activities		
Purchase of fixed assets	**(11,577,570)**	(8,771,635)
Proceeds from sale of fixed assets	**100,768**	116,125
Investment in subsidiaries and / or joint ventures	**-**	-
Net cash used in investing activities	**(11,476,802)**	(8,655,510)

Consolidated Cash Flow Statement

For the year ended March 31, 2017

₹ in '000

	Year ended 31-Mar-17	Year ended 31-Mar-16
Cash flows from financing activities		
Increase in minority interest	**818,605**	189,954
Money received on exercise of stock options by employees	**22,615,161**	12,229,008
Increase / (decrease) in borrowings (excluding subordinate debt, perpetual debt and upper tier II instruments)	**(33,898,658)**	402,081,134
Redemption of subordinated debt	**(19,084,500)**	(12,020,000)
Dividend paid during the year	**(24,083,093)**	(20,091,666)
Tax on dividend	**(5,297,258)**	(4,237,089)
Net cash generated from financing activities	**(58,929,743)**	378,151,341
Effect of exchange fluctuation on translation reserve	**(282,622)**	282,433
Cash and cash equivalents on amalgamation [Refer Schedule 18(1)]	**295,617**	-
Net increase / (decrease) in cash and cash equivalents	**102,422,381**	25,424,601
Cash and cash equivalents as at April 1st (Schedules 6 and 7)	**390,688,815**	365,264,214
Cash and cash equivalents as at March 31st (Schedules 6 and 7)	**493,111,196**	390,688,815

As per our report of even date.

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla
Partner
Membership No.: 40005

Mumbai, April 21, 2017

For and on behalf of the Board

Shyamala Gopinath
Chairperson

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Deputy Managing Director

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Renu Karnad
Srikanth Nadhamuni
Umesh Sarangi
Directors

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As at March 31, 2017

		As at 31-Mar-17	As at 31-Mar-16
			₹ in '000
SCHEDULE 1 - CAPITAL			
Authorised capital			
3,25,00,00,000 (31 March, 2016: 2,75,00,00,000) Equity Shares of ₹ 2/- each		**6,500,000**	5,500,000
Issued, subscribed and paid-up capital			
2,56,25,45,717 (31 March, 2016: 2,52,81,86,517) Equity Shares of ₹ 2/- each		**5,125,091**	5,056,373
	Total	**5,125,091**	5,056,373
SCHEDULE 2 - RESERVES AND SURPLUS			
I **Statutory reserve**			
Opening balance		**149,931,567**	118,122,222
Additions during the year		**37,771,634**	31,809,345
	Total	**187,703,201**	149,931,567
II **General reserve**			
Opening balance		**57,369,509**	45,073,296
Additions during the year		**14,549,641**	12,296,213
	Total	**71,919,150**	57,369,509
III **Balance in profit and loss account**		**345,323,284**	248,255,886
IV **Share premium account**			
Opening balance		**262,204,646**	250,019,020
Additions during the year		**22,546,443**	12,185,626
	Total	**284,751,089**	262,204,646
V **Amalgamation reserve**			
Opening balance		**10,635,564**	10,635,564
Additions during the year		**-**	-
	Total	**10,635,564**	10,635,564
VI **Capital reserve**			
Opening balance		**8,866,583**	6,645,051
Additions during the year		**3,134,100**	2,221,532
	Total	**12,000,683**	8,866,583
VII **Investment reserve account**			
Opening balance		**399,084**	484,268
Additions during the year		**109,506**	76
Deductions during the year		**(66,572)**	(85,260)
	Total	**442,018**	399,084
VIII **Foreign currency translation account**			
Opening balance		**322,030**	39,597
Additions / (deductions) during the year		**(282,622)**	282,433
	Total	**39,408**	322,030
	Total	**912,814,397**	737,984,869

As at March 31, 2017

₹ in '000

		As at 31-Mar-17	As at 31-Mar-16
SCHEDULE 2A - MINORITY INTEREST			
Minority interest at the date on which parent subsidiary relationship came into existence		**276,029**	276,029
Subsequent increase		**2,638,360**	1,530,199
	Total	**2,914,389**	1,806,228
Includes reserves of Employee Welfare Trust of ₹ 70.83 crore (previous year ₹ 63.85 crore)			
SCHEDULE 3 - DEPOSITS			
A I Demand deposits			
(i) From banks		**20,806,377**	22,017,200
(ii) From others		**1,132,892,089**	860,725,166
	Total	**1,153,698,466**	882,742,366
II Savings bank deposits		**1,935,786,271**	1,478,861,198
III Term deposits			
(i) From banks		**53,520,609**	25,095,540
(ii) From others		**3,288,337,133**	3,072,033,785
	Total	**3,341,857,742**	3,097,129,325
	Total	**6,431,342,479**	5,458,732,889
B I Deposits of branches in India		**6,391,351,770**	5,391,562,781
II Deposits of branches outside India		**39,990,709**	67,170,108
	Total	**6,431,342,479**	5,458,732,889
SCHEDULE 4 - BORROWINGS			
I Borrowings in India			
(i) Reserve Bank of India		**-**	319,505,077
(ii) Other banks		**97,371,546**	98,174,819
(iii) Other institutions and agencies		**249,710,383**	91,767,811
(iv) Upper and lower Tier II capital and innovative perpetual debts		**149,020,000**	157,579,000
(v) Bonds and Debentures (excluding subordinated debt)		**252,038,000**	59,750,000
	Total	**748,139,929**	726,776,707
II Borrowings outside India*		**236,016,510**	310,362,890
	Total	**984,156,439**	1,037,139,597
**Includes Upper Tier II debt of Nil crore (previous year: ₹ 662.55 crore)*			
Secured borrowings included in I & II above: ₹ 20,606.90 crore (previous year: ₹ 15,781.77 crore)			
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS			
I Bills payable		**166,670,863**	73,784,974
II Interest accrued		**45,914,476**	40,976,952
III Others (including provisions)		**349,467,514**	216,913,280
IV Contingent provisions against standard assets		**25,035,959**	20,735,354
V Proposed dividend *(including tax on dividend) [Refer Schedule 18(3)*		**-**	28,992,748
	Total	**587,088,812**	381,403,308

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As at March 31, 2017

		₹ in '000
	As at 31-Mar-17	As at 31-Mar-16
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I Cash in hand (including foreign currency notes)	**42,772,675**	55,877,336
II Balances with Reserve Bank of India:		
(a) In current accounts	**284,332,810**	242,888,510
(b) In other accounts	**52,000,000**	2,000,000
Total	**336,332,810**	244,888,510
Total	**379,105,485**	300,765,846
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I In India		
(i) Balances with banks:		
(a) In current accounts	**5,531,745**	2,596,227
(b) In other deposit accounts	**9,716,581**	7,926,585
Total	**15,248,326**	10,522,812
(ii) Money at call and short notice:		
(a) With banks	**-**	-
(b) With other institutions	**-**	1,359,867
Total	**-**	1,359,867
Total	**15,248,326**	11,882,679
II Outside India		
(i) In current accounts	**36,772,777**	23,909,955
(ii) In deposit accounts	**2,529,150**	3,776,535
(iii) Money at call and short notice	**59,455,458**	50,353,800
Total	**98,757,385**	78,040,290
Total	**114,005,711**	89,922,969
SCHEDULE 8 - INVESTMENTS		
A Investments in India in		
(i) Government securities	**1,624,186,994**	1,576,610,655
(ii) Other approved securities	**-**	-
(iii) Shares	**1,219,528**	885,214
(iv) Debentures and bonds	**187,956,872**	48,882,174
(v) Investment in associates*	**402,955**	614,020
(vi) Others (Units, CDs / CPs, PTCs and security receipts)	**282,824,625**	295,619,657
Total	**2,096,590,974**	1,922,611,720
**Includes goodwill of ₹ 0.70 crore (previous year: ₹ 0.70 crore) and capital reserve of Nil on account of investment in associates (previous year: ₹ 0.43 crore)*		
B Investments outside India in		
Other investments		
(a) Shares	**28,375**	28,375
(b) Debentures and bonds	**11,151,771**	13,698,380
Total	**11,180,146**	13,726,755
Total	**2,107,771,120**	1,936,338,475

As at March 31, 2017

			₹ in '000
		As at 31-Mar-17	As at 31-Mar-16
C Investments			
(i) Gross value of investments			
(a) In India		**2,097,219,426**	1,923,817,098
(b) Outside India		**11,206,487**	13,726,755
	Total	**2,108,425,913**	1,937,543,853
(ii) Provision for depreciation			
(a) In India		**628,452**	1,205,378
(b) Outside India		**26,341**	-
	Total	**654,793**	1,205,378
(iii) Net value of investments			
(a) In India		**2,096,590,974**	1,922,611,720
(b) Outside India		**11,180,146**	13,726,755
	Total	**2,107,771,120**	1,936,338,475

SCHEDULE 9 - ADVANCES

A (i) Bills purchased and discounted		**287,159,641**	185,136,903
(ii) Cash credits, overdrafts and loans repayable on demand		**1,336,174,162**	1,242,774,115
(iii) Term loans		**4,231,476,068**	3,444,993,156
	Total	**5,854,809,871**	4,872,904,174
B (i) Secured by tangible assets*		**4,351,900,473**	3,648,290,355
(ii) Covered by bank / government guarantees		**107,864,309**	114,128,823
(iii) Unsecured		**1,395,045,089**	1,110,484,996
	Total	**5,854,809,871**	4,872,904,174
** Including advances against book debts*			
C I Advances in India			
(i) Priority sector		**1,646,022,483**	1,427,201,985
(ii) Public sector		**157,741,065**	134,556,082
(iii) Banks		**9,092,668**	4,659,631
(iv) Others		**3,843,921,442**	2,985,578,949
	Total	**5,656,777,658**	4,551,996,647
C II Advances outside India			
(i) Due from banks		**6,500,391**	6,879,777
(ii) Due from others			
(a) Bills purchased and discounted		**2,560,707**	1,245,263
(b) Syndicated loans		**17,845,564**	38,624,247
(c) Others		**171,125,551**	274,158,240
	Total	**198,032,213**	320,907,527
(Advances are net of provisions)	**Total**	**5,854,809,871**	4,872,904,174

As at March 31, 2017

₹ in '000

		As at 31-Mar-17	As at 31-Mar-16
SCHEDULE 10 - FIXED ASSETS			
A **Premises** *(including land)*			
Gross block			
At cost on 31 March of the preceding year		**15,785,543**	15,030,782
Additions during the year		**669,452**	839,927
Deductions during the year		**(70,347)**	(85,166)
	Total	**16,384,648**	15,785,543
Depreciation			
As at 31 March of the preceding year		**4,262,700**	3,775,762
Charge for the year		**595,216**	555,657
On deductions during the year		**(59,060)**	(68,719)
	Total	**4,798,856**	4,262,700
Net block		**11,585,792**	11,522,843
B **Other fixed assets** *(including furniture and fixtures)*			
Gross block			
At cost on 31 March of the preceding year		**74,900,241**	67,150,536
Additions on amalgamation		**377,694**	-
Additions during the year		**11,525,792**	9,208,628
Deductions during the year		**(2,229,417)**	(1,458,923)
	Total	**84,574,310**	74,900,241
Depreciation			
As at 31 March of the preceding year		**51,626,108**	46,156,112
Additions on amalgamation		**245,859**	-
Charge for the year		**8,264,659**	6,828,000
On deductions during the year		**(2,123,521)**	(1,358,004)
	Total	**58,013,105**	51,626,108
Net block		**26,561,205**	23,274,133
C **Assets on lease** *(plant and machinery)*			
Gross block			
At cost on 31 March of the preceding year		**4,546,923**	4,546,923
Additions during the year		-	-
	Total	**4,546,923**	4,546,923

₹ in '000

		As at 31-Mar-17	As at 31-Mar-16
	Depreciation		
	As at 31 March of the preceding year	**4,104,467**	4,104,467
	Charge for the year	**-**	-
	Total	**4,104,467**	4,104,467
	Lease adjustment account		
	As at 31 March of the preceding year	**442,456**	442,456
	Charge for the year	**-**	-
	Total	**442,456**	442,456
	Unamortised cost of assets on lease	**-**	-
	Total	**38,146,997**	34,796,976

SCHEDULE 11 - OTHER ASSETS

		As at 31-Mar-17	As at 31-Mar-16
I	Interest accrued	**83,177,119**	75,547,122
II	Advance tax / tax deducted at source (net of provisions)	**17,270,130**	17,625,441
III	Stationery and stamps	**267,871**	220,786
IV	Non banking assets acquired in satisfaction of claims	**-**	-
V	Bond and share application money pending allotment	**-**	-
VI	Security deposit for commercial and residential property	**5,095,162**	4,791,869
VII	Others *	**323,792,141**	289,209,606
	Total	**429,602,423**	387,394,824

**Includes deferred tax asset (net) of ₹ 2,587.06 crore (previous year: ₹ 2,227.23 crore), goodwill of ₹ 185.00 crore (previous year: ₹ 187.16 crore) and deposits placed with NABARD / SIDBI / NHB on account of shortfall in lending to priority sector of ₹ 11,882.37 crore (previous year: ₹ 13,719.68 crore)*

SCHEDULE 12 - CONTINGENT LIABILITIES

		As at 31-Mar-17	As at 31-Mar-16
I	Claims against the bank not acknowledged as debts - taxation	**10,724,100**	11,879,900
II	Claims against the bank not acknowledged as debts - others	**2,010,238**	777,310
III	Liability on account of outstanding forward exchange contracts	**4,699,301,366**	5,290,757,746
IV	Liability on account of outstanding derivative contracts	**2,723,068,634**	2,570,471,528
V	Guarantees given on behalf of constituents		
	- in India	**366,232,012**	301,310,742
	- outside India	**953,405**	31,094,714
VI	Acceptances, endorsements and other obligations	**359,613,744**	317,525,754
VII	Other items for which the Bank is contingently liable	**20,939,393**	11,456,132
	Total	**8,182,842,892**	8,535,273,826

For the year ended March 31, 2017

₹ in '000

			Year ended 31-Mar-17	Year ended 31-Mar-16
SCHEDULE 13 - INTEREST EARNED				
I	Interest / discount on advances / bills		**559,861,841**	477,361,879
II	Income from investments		**159,515,563**	141,254,962
III	Interest on balance with RBI and other inter-bank funds		**5,448,567**	3,751,556
IV	Others		**7,887,558**	9,247,217
		Total	**732,713,529**	631,615,614
SCHEDULE 14 - OTHER INCOME				
I	Commission, exchange and brokerage		**94,767,987**	83,067,577
II	Profit / (loss) on sale of investments (net)		**11,447,093**	7,525,247
III	Profit / (loss) on revaluation of investments (net)		**87,543**	(173,689)
IV	Profit / (loss) on sale of building and other assets (net)		**(16,229)**	(1,185)
V	Profit / (loss) on exchange / derivative transactions (net)		**12,633,895**	12,277,267
VI	Miscellaneous income		**9,856,040**	9,421,324
		Total	**128,776,329**	112,116,541
SCHEDULE 15 - INTEREST EXPENDED				
I	Interest on deposits		**312,955,921**	291,509,468
II	Interest on RBI / inter-bank borrowings		**65,834,950**	33,664,532
III	Other interest		**1,624,973**	15,521,748
		Total	**380,415,844**	340,695,748
SCHEDULE 16 - OPERATING EXPENSES				
I	Payments to and provisions for employees		**85,047,014**	63,061,367
II	Rent, taxes and lighting		**14,305,273**	12,740,606
III	Printing and stationery		**4,773,398**	4,251,803
IV	Advertisement and publicity		**2,095,018**	2,584,338
V	Depreciation on bank's property		**8,861,876**	7,380,326
VI	Directors' fees / remuneration, allowances and expenses		**35,221**	28,861
VII	Auditors' fees and expenses		**25,758**	19,331
VIII	Law charges		**1,249,095**	998,702
IX	Postage, telegram, telephone etc.		**4,491,632**	4,217,982
X	Repairs and maintenance		**12,717,968**	10,417,860
XI	Insurance		**6,914,913**	5,618,738
XII	Other expenditure*		**66,993,541**	66,998,894
		Total	**207,510,707**	178,318,808

**Includes professional fees, commission to sales agents, card and merchant acquiring expenses and system management fees.*

For the year ended March 31, 2017

SCHEDULE 17 - Significant accounting policies appended to and forming part of the consolidated financial statements for the year ended March 31, 2017

A BACKGROUND

HDFC Bank Limited ('HDFC Bank' or 'the Bank'), incorporated in Mumbai, India is a publicly held banking company engaged in providing a range of banking and financial services including retail banking, wholesale banking and treasury operations. The Bank is governed by the Banking Regulation Act, 1949 and the Companies Act, 2013. The Bank has overseas branch operations in Bahrain, Hong Kong and Dubai. The financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by branches of the Bank.

HDB Financial Services Limited (HDBFSL) and HDFC Securities Limited (HSL) are subsidiaries of the Bank. HDBFSL is a non-deposit taking non-banking finance company. HSL is a financial services provider along with broking as a core product.

B PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries constituting the 'Group' and 'Group's' share of profits of associates.

The Bank consolidates its subsidiaries in accordance with Accounting Standard ('AS') 21, Consolidated Financial Statements, specified under Section 133 of the Companies Act, 2013, on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. Capital reserve / Goodwill on consolidation represent the difference between the Bank's share in the net worth of the subsidiary and the cost of acquisition at the time of making the investment in the subsidiary. Further, the Bank accounts for investments in associates under equity method of accounting in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements, specified under Section 133 of the Companies Act, 2013.

C BASIS OF PREPARATION

The consolidated financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') specified under Section 133 of the Companies Act, 2013, in so far as they apply to banks and current practices prevailing within the banking industry in India.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

Basis of consolidation

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

Name	Relation	Country of incorporation	Ownership interest**
HDFC Securities Limited	Subsidiary	India	97.9%
HDB Financial Services Limited	Subsidiary	India	96.2%
International Asset Reconstruction Company Private Limited	Associate	India	29.4%
HDB Employee Welfare Trust	*	India	

* *The accounts of HDB Employee Welfare Trust, a trust established for providing general welfare measures such as medical relief and educational assistance to the employees of the Bank and their dependents has been entirely consolidated.*

** *Denotes HDFC Bank's direct interest.*

During the year ended March 31, 2017, Atlas Documentary Facilitators Company Private Limited and HBL Global Private Limited, associates of the Bank as at March 31, 2016, amalgamated with HDB Financial Services Limited, pursuant to the approval of the Honourable High courts of Gujarat and Bombay with effect from December 1, 2016. The appointed date of the merger as per the scheme of amalgamation was April 1, 2014. Accordingly, the consolidated financial statements include the effect of the said amalgamation.

During the year ended March 31, 2017 the Bank's shareholding in HDB Financial Services Limited decreased from 97.1% to 96.2% on account of the said amalgamation and stock options exercised by minority stakeholders.

The audited financial statements of the subsidiary companies, entity controlled by the Bank and the un-audited financial statements of an associate have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2017.

D PRINCIPAL ACCOUNTING POLICIES

1 Investments

HDFC Bank Limited

Classification:

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

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

Basis of classification:

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

Acquisition cost:

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

Disposal of investments:

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

Short sale:

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

Valuation:

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

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

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

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

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

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

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

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

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

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

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

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

Repo and reverse repo transactions:

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

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

HDFC Securities Limited

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

HDB Financial Services Limited

Investments expected to mature after twelve months are taken as long term / non-current investment and stated at cost. Provision is recognised only in case of diminution, which is other than temporary in nature. Investments maturing within three months from the date of acquisition are classified as cash equivalents if they are readily convertible into cash. All other investment are recognised as short term / current investments and are valued at lower of cost and net realisable value.

Interest on borrowings is recognised in Statement of Profit and Loss on an accrual basis. Costs associated with borrowings are grouped under financial charges along with the interest costs.

HDB Employees Welfare Trust

Long-term investments are stated at cost of acquisition. Provision for diminution is made if such diminution is considered as being other than temporary in nature.

2 Advances

HDFC Bank Limited

Classification:

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

Provisioning:

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

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

In accordance with RBI guidelines, accelerated provision is made on non-performing advances which were not earlier reported by the Bank as Special Mention Account under "SMA-2" category to Central Repository of Information on Large Credits (CRILC). Accelerated provision is also made on non-performing advances which are erstwhile SMA-2 accounts with Aggregate Exposure (AE) ₹ 1,000 million or above and Joint Lenders' Forum (JLF) is not formed or they fail to agree upon a common Corrective Action Plan (CAP) within the stipulated time frame.

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

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

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

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

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

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

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

HDB Financial Services Limited

Classification:

Advances are classified as standard, sub-standard and doubtful assets as per the Company policy approved by the Board. The rates applied for making provisions on non-performing advances are higher than those required by the relevant RBI guidelines. Interest on non-performing advances is transferred to an interest suspense account and not recognised in the Statement of Profit and Loss until received. Loan assets are recognised on disbursement of loan and in case of new asset financing on the transfer of ownership.

Provisioning:

The Company assesses all receivables for their recoverability and accordingly recognises provision for non-performing and doubtful assets as per approved Company policies and guidelines. The Company ensures provisions made are not lower than as stipulated by RBI guidelines.

The Company provides 0.35% on standard assets as stipulated by Circular No. DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014 issued by RBI under the head “Contingent Provision against Standard Assets”.

Loan origination costs:

Brokerage, commission, incentive to employee, etc. paid at the time of acquisition of loans are charged to revenue.

3 Securitisation and transfer of assets

HDFC Bank Limited

The Bank securitises out its receivables to Special Purpose Vehicles (‘SPVs’) in securitisation transactions. Such securitised-out receivables are de-recognised in the balance sheet when they are sold (true sale criteria being fully met with) and consideration is received by the Bank. Sales / Transfers that do not meet these criteria for surrender of control are accounted for as secured borrowings. In respect of receivable pools securitised-out, the Bank provides liquidity and credit enhancements, as specified by the rating agencies, in the form of cash collaterals / guarantees and / or by subordination of cash flows in line with RBI guidelines. The Bank also acts as a servicing agent for receivable pools securitised-out.

The Bank also enters into transactions for transfer of standard assets through the direct assignment of cash flows, which are similar to asset-backed securitisation transactions through the SPV route, except that such portfolios of receivables are assigned directly to the purchaser and are not represented by Pass Through Certificates (‘PTCs’).

The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines. The Bank amortises any profit received for every individual securitisation or direct assignment transaction based on the method prescribed in these guidelines.

In relation to securitisation transactions undertaken prior to the aforementioned RBI guidelines, including those undertaken through the direct assignment route, the Bank continues to amortise the profit / premium that arose on account of sale of receivables over the life of the securities sold, in accordance with the RBI guidelines on securitisation of standard assets issued vide its circular dated February 1, 2006.

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

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

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfillment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfillment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets.

The fee received for the sale of PSLCs is recorded as 'Miscellaneous Income' and the fee paid for purchase of the PSLCs is recorded as 'Other Expenditure' in Statement of Profit and Loss.

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

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

HDB Financial Services Limited

- Prior to Issuance of RBI Circular dated August 21, 2012
  - a) On receivables being assigned / securtised, the assets are de-recognised as all the rights, title, future receivables & interest thereof are assigned to the purchaser.
  - b) Gains arising on assignment of receivables will be recognised at the end of the tenure of assignment contract as per the RBI guidelines, while loss, if any is recognised upfront.
- Post Issuance of RBI Circular dated August 21, 2012
  - a) Securitised receivables are de-recognised in the balance sheet when they are sold i.e. they meet true sale criteria.
  - b) Gains arising out of securitisation of assets are recognised over the tenure of the securities issued by Special Purpose Vehicle Trust (SPV).
  - c) The excess interest spread on the securitisation transactions are recognised in the Statement of Profit and Loss only when it is redeemed in cash by the SPV after adjusting for overdue receivable for more than 90 days. Losses, if any, are recognised upfront.

4 Fixed assets and depreciation

HDFC Bank Limited

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

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

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

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

HDFC Securities Limited

Tangible assets are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises purchase price and expenses directly attributable to bringing the asset to its working condition for the intended use. Subsequent expenditure related to an item of fixed asset are added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.

Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements.

Gains or losses arising from disposal or retirement of tangible fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised net, within “Other Income” or “Other Expenses”, as the case maybe, in the Statement of Profit and Loss in the year of disposal or retirement.

Capital work-in-progress are fixed assets which are not yet ready for their intended use. Such assets are carried at cost comprising direct cost and related incidental expenses.

Depreciation is provided on a pro-rata basis to fully depreciate the assets using the straight-line method over the estimated useful lives of the assets.

For the following categories of assets, depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013:

Asset	Estimated useful life
Computer hardware	3 years
Office equipment	5 years
Furniture and fixtures	10 years
Leasehold improvements	Over the remaining period of the lease
Electricals	10 years
Office premises	60 years

For the following categories of assets, the Company has assessed useful life based on technical advice, taking into account the nature of the asset, the estimates usage of asset, the operating condition of asset, anticipated technological changes and utility in the business, as below:

Asset	Estimated useful life
Vehicles	4 years
Network & servers	4 years

- All tangible and intangible assets costing less than ₹ 5,000 individually are fully depreciated in the year of purchase.
- Useful lives are reviewed at each financial year end and adjusted if appropriate.

- Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any.
- Cost of an intangible asset includes purchase price, non-refundable taxes and duties and any other directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset is charged to the Statement of Profit and Loss as an expense unless it is probable that such expenditure will enable the intangible asset increase the future benefits from the existing asset beyond its previously assessed standard of performance and such expenditure can be measured and attributed to the intangible asset reliably, in which case, such expenditure is capitalised.
- Expenditure on software development eligible for capitalisation are carried as intangible assets under development where such assets are not yet ready for their intended use.
- Intangible assets are amortised on a straight-line basis over their estimated useful lives. A rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use is considered by the management. The amortisation period and the amortisation method are reviewed at least at each reporting date. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.
- Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss in the year of disposal.

The estimated useful lives of intangible assets used for amortisation are:

Asset	Estimated useful life
Computer software licenses	5 years
Electronic trading platform (Website)	5 years
Bombay Stock Exchange card	10 years

HDB Financial Services Limited

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. The cost of fixed assets comprise purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

Depreciation is charged over the estimated useful life of the fixed assets on a straight line basis in the manner prescribed in Schedule II of the Companies Act, 2013, except for assets as under:

Asset	Estimated useful life as assessed by the Company	Estimated useful life under Schedule II of Companies Act, 2013
Motor cars	5 years	8 years

- Improvements to lease hold premises are charged off over the primary period of lease or its useful life, whichever is lower.
- Items costing less than ₹ 5,000 are fully depreciated in the year of purchase.
- The Company has estimated Nil residual value at the end of the useful life for all block of assets.
- For assets purchased and sold during the year, depreciation is being provided on pro-rata basis by the Company.

Software and system development expenditure are capitalised at cost of acquisition including cost attributable to bring the same in working condition and the useful life of the same is estimated of 3 years with zero residual value. Any expenses on such software for support and maintenance payable annually are charged to the Statement of Profit and Loss.

5 Impairment of assets

Group

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

6 Transactions involving foreign exchange

HDFC Bank Limited

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

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

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

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

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

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

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

7 Derivative contracts

HDFC Bank Limited

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

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

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

8 Revenue recognition

HDFC Bank Limited

- Interest income is recognised in the Statement of Profit and Loss on an accrual basis, except in the case of non-performing assets and loan accounts where restructuring has been approved by the RBI under Strategic Debt Restructuring (SDR) scheme where it is recognised upon realisation as per RBI norms.
- Interest income on investments in PTCs and loans bought out through the direct assignment route is recognised at their effective interest rate.
- Income on non-coupon bearing discounted instruments is recognised over the tenor of the instrument on a constant effective yield basis.
- Loan processing fee is recognised as income when due. Syndication / Arranger fee is recognised as income when a significant act / milestone is completed.
- Gain / loss on sell down of loans is recognised in line with the extant RBI guidelines.
- Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.
- Guarantee commission, commission on letter of credit, annual locker rent fees and annual fees for credit cards are recognised on a straight-line basis over the period of contract. Other fees and commission income are recognised when due, where the Bank is reasonably certain of ultimate collection.

HDFC Securities Limited

- Income from services rendered as a brokerage is recognised upon rendering of the services.
- Commissions are recorded on a trade date basis as the securities transaction occurs.
- Fees for subscription based services are received periodically but are recognised as earned on a pro-rata basis over the term of the contract.
- Commissions from distribution of financial products are recognised upon allotment of the securities to the applicant or as the case may be, issue of the insurance policy to the applicant.
- Commissions and fees recognised as aforesaid are exclusive of service tax, securities transaction tax, stamp duties and other levies by SEBI and stock exchanges.
- Interest is earned on delayed payments from clients and amounts funded to them as well as term deposits with banks.
- Interest income is recognised on a time proportion basis taking into account the amount outstanding from customers or on the financial instrument and the rate applicable.
- Dividend income is recognised when the right to receive the dividend is established.

HDB Financial Services Limited

- Interest income is recognised in the Statement of Profit and Loss on an accrual basis. In case of Non Performing Assets (NPA) interest income is recognised upon realisation as per the RBI Guidelines. Interest accrued and not realised before the classification of the asset as an NPA is reversed and credited to the interest suspense account.
- Income from BPO services and other financial charges are recognised on an accrual basis, except in case of cheque bouncing charges, late payment charges, foreclosure charges and application money, which are accounted as and when received.

- Upfront / processing fees are recovered and recognised at the time of disbursement of loan.
- Income from dividend is recognised in the Statement of Profit and Loss when the right to receive is established.

HDB Employees Welfare Trust

- Income is recognised on accrual basis.

9 Employee benefits

HDFC Bank Limited

Employee Stock Option Scheme ('ESOS')

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

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

Gratuity:

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

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

Superannuation:

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

Provident fund:

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

The guidance note on implementing AS-15, Employee Benefits, states that benefits involving employer established provident funds, which require interest shortfalls to be provided, are to be considered as defined benefit plans. Actuarial valuation of this

Provident Fund interest shortfall is done as per the guidance note issued in this respect by The Institute of Actuaries of India (IAI) and provision towards this liability is made.

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

Leave encashment / Compensated absences:

The Bank does not have a policy of encashing unavailed leave for its employees, except for certain eLKB employees under Indian Banks' Association ('IBA') structure. The Bank provides for leave encashment / compensated absences based on an independent actuarial valuation at the Balance Sheet date, which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation.

Pension:

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

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

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

HDFC Securities Limited

Short term

Short term employee benefits include salaries and performance incentives. A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Company has a present legal or informal obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. These costs are recognised as an expense in the Statement of Profit and Loss at the undiscounted amount expected to be paid over the period of services rendered by the employees to the Company.

Long term

The Company offers its employees long term benefits by way of defined-contribution and defined-benefit plans, of which some have assets in special funds or securities. The plans are financed by the Company and in the case of some defined contribution plans by the Company along with its employees.

Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the National Pension Scheme, Employees' Provident Fund, Family Pension Fund and Superannuation Fund. The Company's payments to the defined-contribution plans are reported as expenses during the period in which the employees perform the services that the payment covers.

Defined-benefit plans

Expenses for defined-benefit gratuity plan are calculated as at the Balance Sheet date by an independent actuary in a manner that distributes expenses over the employee's working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees. The fair values of the plan assets are deducted in determining the net liability. When the fair value of plan assets exceeds the commitments computed as aforesaid, the recognised asset is limited to the net total of any cumulative past service costs and the present value of any economic benefits available in the form of reductions in future contributions to the plan.

Actuarial losses or gains are recognised in the Statement of Profit and Loss in the year in which they arise.

Other employee benefits

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be availed in twelve months immediately following the year in which the employee has rendered service are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits.

Where there are restrictions on availment of such accrued benefit or where the availment is otherwise not expected to wholly occur in the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method.

Share-based payment transactions

Equity settled stock options granted under the Company's Employee Stock Option Schemes are accounted for as per the accounting treatment prescribed by the Guidance Note on Employee Share-based Payments issued by the Institute of Chartered Accountants of India. The intrinsic value of the option being excess of fair value of the underlying share immediately prior to date of grant over its exercise price is recognised as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Statement of Profit and Loss on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion and credit to deferred employee compensation expense equal to the unamortised portion.

HDB Financial Services Limited

Long term employee benefits

Gratuity

The Company provides for gratuity to all employees. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, or death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company makes annual contributions to fund administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The defined benefit plan are valued by an independent external actuary as at the Balance Sheet date using the projected unit credit method to determine the present value of defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognised in the Statement of Profit and Loss.

Provident fund

In accordance with the applicable law, all employees of the Company are entitled to receive benefits under the Provident Fund Act, 1952. The Company contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary) to the Pension Scheme administered by the Regional Provident Fund Commissioner (RPFC) and the Company has no liability for future provident fund benefits other than its annual contribution. Since it is a defined contribution plan, the contributions are accounted for on an accrual basis and recognised in the Statement of Profit and Loss.

Compensated absences

The Company does not have a policy of encashment of unavailed leaves for its employees but are permitted to carry forward subject to a prescribed maximum days. The Company provides for compensated absences in accordance with AS 15 (revised 2005) Employee Benefits issued by Institute of Chartered Accountants of India. The provision is based on an independent external actuarial valuation at the balance sheet date.

10 Debit and credit cards reward points

HDFC Bank Limited

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

11 Bullion

HDFC Bank Limited

The Bank imports bullion including precious metal bars on a consignment basis for selling to its wholesale and retail customers. The imports are typically on a back-to-back basis and are priced to the customer based on an estimated price quoted by the supplier. The Bank earns a fee on such wholesale bullion transactions. The fee is classified under commission income.

The Bank also deals in bullion on a borrowing and lending basis and the interest paid / received thereon is classified as interest expense / income respectively.

12 Lease accounting

Group

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

13 Income tax

Group

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

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

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

14 Earnings per share

Group

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

15 Share issue expenses

HDFC Bank Limited

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

16 Segment information

Group

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

17 Accounting for provisions, contingent liabilities and contingent assets

Group

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

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

A disclosure of contingent liability is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Group; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

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

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

Onerous contracts

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

18 Cash and cash equivalents

Group

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

19 Corporate social responsibility

Group

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

For the year ended March 31, 2017

SCHEDULE 18 - Notes forming part of the consolidated financial statements for the year ended March 31, 2017

Amounts in notes forming part of the consolidated financial statements for the year ended March 31, 2017 are denominated in rupee crore to conform to extant RBI guidelines.

1 Amalgamation of Atlas Documentary Facilitators Company Private Limited and HBL Global Private Limited with HDB Financial Services Limited

During the year ended March 31, 2017, Atlas Documentary Facilitators Company Private Limited and HBL Global Private Limited, associates of the Bank as at March 31, 2016, amalgamated with HDB Financial Services Limited, pursuant to the approval of the Honourable High courts of Gujarat and Bombay with effect from December 1, 2016. The appointed date of the merger as per the scheme of amalgamation was April 1, 2014. Accordingly, the consolidated financial statements include the effect of the said amalgamation. In view of the amalgamation, the figures for the current year are not comparable with the corresponding figures of the previous year.

2 Change in classification

Pursuant to RBI circular dated May 19, 2016, the Bank has, included its repurchase / reverse repurchase transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) with RBI under ‘Borrowings from RBI’ / ‘Balances with RBI’, as the case may be. Hitherto, these transactions were netted from / included under ‘Investments’. Figures of the previous year have been regrouped / reclassified to conform to current year’s classification. The above change in classification has no impact on the profit of the Bank for the years ended March 31, 2017 and March 31, 2016.

3 Proposed dividend

The Board of Directors of the Bank, at their meeting held on April 21, 2017, have proposed a dividend of ₹ 11.00 per equity share aggregating ₹ 3,392.71 crore, inclusive of tax on dividend. The proposal is subject to the approval of shareholders at the Annual General Meeting. In terms of revised Accounting Standard (AS) 4 ‘Contingencies and Events occurring after the Balance sheet date’ as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated proposed dividend from Statement of Profit and Loss for the year ended March 31, 2017. Accordingly, the proposed dividend and the tax thereon, under Appropriations in the Statement of Profit and Loss is lower by ₹ 2,818.80 crore and ₹ 573.91 crore respectively and the balance of Other Liabilities is lower by an equivalent amount as at March 31, 2017. However, the effect of the proposed dividend has been reckoned in determining consolidated capital funds in the computation of the capital adequacy ratio as at March 31, 2017.

4 Capital infusion

During the year ended March 31, 2017, the Bank allotted 3,43,59,200 equity shares (previous year: 2,16,91,200 equity shares) aggregating to face value ₹ 6.87 crore (previous year: ₹ 4.34 crore) in respect of stock options exercised. Accordingly, share capital increased by ₹ 6.87 crore (previous year: ₹ 4.34 crore) and share premium increased by ₹ 2,254.64 crore (previous year: ₹ 1,218.56 crore).

Details of movement in the paid-up equity share capital of the Bank are given below: **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Opening balance	505.64	501.30
Addition pursuant to stock options exercised	6.87	4.34
Closing balance	512.51	505.64

5 Earnings per equity share

Basic and diluted earnings per equity share have been calculated based on the consolidated profit attributable to the Group of ₹ 15,253.03 crore (previous year: ₹ 12,801.33 crore) and the weighted average number of equity shares outstanding during the year of 2,54,43,33,609 (previous year: 2,51,74,29,120).

Following is the reconciliation between basic and diluted earnings per equity share:

Particulars	For the years ended	
	March 31, 2017	March 31, 2016
Nominal value per share (₹)	2.00	2.00
Basic earnings per share (₹)	59.95	50.85
Effect of potential equity shares (per share) (₹)	(0.79)	(0.61)
Diluted earnings per share (₹)	59.16	50.24

Basic earnings per equity share has been computed by dividing net profit for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share has been computed by dividing the net profit for the year attributable to the equity shareholders by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. The dilutive impact is on account of stock options granted to employees by the Bank. There is no impact of dilution on the profits in the current year and previous year.

Following is the reconciliation of weighted average number of equity shares used in the computation of basic and diluted earnings per share:

Particulars	For the years ended	
	March 31, 2017	March 31, 2016
Weighted average number of equity shares used in computing basic earnings per equity share	2,54,43,33,609	2,51,74,29,120
Effect of potential equity shares outstanding	3,40,55,428	3,04,43,320
Weighted average number of equity shares used in computing diluted earnings per equity share	2,57,83,89,037	2,54,78,72,440

6 Reserves and Surplus

Drawdown from reserves

Share Premium

The Bank has not undertaken any drawdown from reserves during the years ended March 31, 2017 and March 31, 2016.

Statutory Reserve

The Group has made an appropriation of ₹ 3,777.16 crore (previous year: ₹ 3,180.93 crore) out of profits for the year ended March 31, 2017 to Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

Capital Reserve

During the year ended March 31, 2017, the Bank appropriated ₹ 313.41 crore (previous year: ₹ 222.15 crore), being the profit from sale of investments under HTM category and profit on sale of immovable properties, net of taxes and transfer to statutory reserve, from Profit and Loss Account to Capital Reserve Account.

General Reserve

The Group has made an appropriation of ₹ 1,454.96 crore (previous year: ₹ 1,229.62 crore) out of profits for the year ended March 31, 2017 to General Reserve.

Investment Reserve Account

During the year ended March 31, 2017, the Bank has appropriated ₹ 4.29 crore (net) from Profit and Loss Account to Investment Reserve Account as per RBI guidelines. In the previous year the Bank had transferred ₹ 8.52 crore (net) from Investment Reserve Account to Profit and Loss Account as per RBI guidelines.

7 Dividend on shares allotted pursuant to exercise of stock options

The Bank may allot equity shares after the Balance Sheet date but before the book closure date pursuant to the exercise of any employee stock options. These equity shares will be eligible for full dividend for the year ended March 31, 2017, if approved at the ensuing Annual General Meeting.

8 Accounting for employee share based payments

HDFC Bank Limited

The shareholders of the Bank approved grant of equity share options under Plan “C” in June 2005, Plan “D” in June 2007, Plan “E” in June 2010, Plan “F” in June 2013 and Plan “G” in July 2016. Under the terms of each of these Plans, the Bank may issue to its employees and Whole Time Directors, Equity Stock Options (‘ESOPs’) each of which is convertible into one equity share. All the plans were framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time and as applicable at the time of grant. Accounting for the stock options has been in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014 to the extent applicable.

Plans C, D, E, F and G provide for the issuance of options at the recommendation of the Nomination & Remuneration Committee at the closing price on the working day immediately preceding the date when options are granted. This closing price is the closing price of the Bank’s equity share on an Indian stock exchange with the highest trading volume as of the working day preceding the date of grant.

Vesting conditions applicable to the options are at the discretion of the Nomination & Remuneration Committee. These options are exercisable on vesting, for a period as set forth by the Nomination & Remuneration Committee at the time of grant. The period in which options may be exercised cannot exceed five years. During the years ended March 31, 2017 and March 31, 2016, no modifications were made to the terms and conditions of ESOPs as approved by the Nomination & Remuneration Committee.

Activity in the options outstanding under the Employee Stock Options Plans

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2017:

Particulars	Number of Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	12,86,54,300	840.19
Granted during the year	-	-
Exercised during the year	3,43,59,200	658.20
Forfeited / Lapsed during the year	21,38,800	972.97
Options outstanding, end of year	9,21,56,300	904.97
Options exercisable	5,63,14,000	835.06

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2016:

Particulars	Number of Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	10,90,33,000	683.16
Granted during the year	4,48,36,200	1,092.65
Exercised during the year	2,16,91,200	563.78
Forfeited / Lapsed during the year	35,23,700	895.09
Options outstanding, end of year	12,86,54,300	840.19
Options exercisable	4,96,81,000	661.84

- Following table summarises the information about stock options outstanding as at March 31, 2017:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan C	680.00 to 835.50	46,44,400	2.34	690.91
Plan D	680.00	33,34,300	2.33	680.00
Plan E	468.40 to 680.00	1,50,94,600	2.18	650.01
Plan F	835.50 to 1,097.80	6,90,83,000	3.90	985.92

- Following table summarises the information about stock options outstanding as at March 31, 2016:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan C	680.00 to 835.50	57,40,800	3.34	693.00
Plan D	680.00	51,33,900	3.32	680.00
Plan E	440.16 to 680.00	3,78,50,200	2.49	598.71
Plan F	835.50 to 1,097.80	7,99,29,400	4.80	975.41

Fair value methodology

The fair value of options used to compute *proforma* net income and earnings per equity share have been estimated on the dates of each grant using the binomial option-pricing model. The Bank estimates the volatility based on the historical share prices. No stock options were granted during the year ended March 31, 2017 (previous year: 4,48,36,200). The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2016 were:

Particulars	March 31, 2016
Dividend yield	0.73%
Expected volatility	23.29% to 26.46%
Risk - free interest rate	7.71% to 8.07%
Expected life of the options	1 to 7 years

Impact of fair value method on net profit and earnings per share ('EPS')

Had the compensation cost for the Bank's stock option plans been determined based on the fair value approach, the Bank's net profit and earnings per share would have been as per the *proforma* amounts indicated below: **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Net profit (as reported)	14,549.66	12,296.23
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock based compensation expense determined under fair value based method (*proforma*)	812.75	1,265.93
Net profit (*proforma*)	13,736.91	11,030.30
	(₹)	(₹)
Basic earnings per share (as reported)	57.18	48.84
Basic earnings per share (*proforma*)	53.99	43.82
Diluted earnings per share (as reported)	56.43	48.26
Diluted earnings per share (*proforma*)	53.28	43.29

HDFC Securities Limited

The Shareholders of the Company approved a stock option scheme (viz. ESOS - II) in February 2017 ("Company Options"). Under the terms of the scheme, the Company issues stock options to employees, whole time director, managing director and directors (excluding Independent Directors) of the Company, each of which is convertible into one equity share.

Scheme ESOS - II provides for the issuance of options at the recommendation of the Compensation Committee of the Board of Directors (the "Compensation Committee") at a price of ₹ 1,136/- per share, being the fair market value of the share arrived by considering the average price of the two independent valuation reports.

Such options vest at definitive dates, save for specific incidents, prescribed in the scheme as framed / approved by the Compensation Committee. Such options are exercisable for a period following the vesting at the discretion of the Compensation Committee.

Method used for accounting for shared based payment plan

The Company uses the Intrinsic Value method to account for the compensation cost of stock options to employees of the Company.

Activity in the options outstanding under the Employee Stock Options Plan

- Activity in the options outstanding under the Employees Stock Options Plan as at March 31, 2017:

Particulars	Company options	Weighted average exercise price (₹)
Options outstanding, beginning of year	-	-
Granted during the year	2,80,000	1,136
Exercised during the year	-	-
Forfeited / Lapsed during the year	-	-
Options outstanding, end of year	2,80,000	1,136
Options exercisable	-	-

- Following table summarises the information about stock options outstanding as at March 31, 2017:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
Company Options	1,136	2,80,000	4.1 years	1,136

There were no stock options outstanding as at March 31, 2016.

Fair value methodology

The fair value of options used to compute *proforma* net income and earnings per equity share have been estimated on dates of each grant using the Black and Scholes model. The shares of the Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of the Company's stock price as an average of the historical volatility of similar listed enterprises for the purpose of calculating the fair value to reduce any company specific variations. The various assumptions considered in the pricing model for the stock options granted by the Company during the year ended March 31, 2017 are:

Particulars	March 31, 2017	March 31, 2016
Dividend yield	3.52%	-
Expected volatility	43.53% to 42.48%	-
Risk - free interest rate	6.60% to 6.90%	-
Expected life of the options	3 to 5 years	-

Impact of fair value method on net profit and EPS

Had compensation cost for the Company's stock option plans been determined based on the fair value approach, the Company's net profit and earnings per share would have been as per the *proforma* amounts indicated below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Net Profit (as reported)	215.90	133.34
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method (*proforma*)	0.78	-
Net Profit (*proforma*)	215.12	133.34
	(₹)	(₹)
Basic earnings per share (as reported)	139.45	86.12
Basic earnings per share (*proforma*)	138.95	86.12
Diluted earnings per share (as reported)	139.45	86.12
Diluted earnings per share (*proforma*)	138.95	86.12

HDB Financial Services Limited

In accordance with resolution approved by the shareholders, the Company has reserved shares, for issue to employees through ESOP Scheme. On the approval of Nomination and Remuneration Committee (NRC), each ESOP scheme is issued. The NRC has approved stock option schemes ESOS-5 on July 27, 2011, ESOS-6 on June 11, 2012, ESOS-7 on July 19, 2013, ESOS-8 on July 14, 2015 and ESOS-9 on October 18, 2016. Under the term of the schemes, the Company may issue stock options to employees and directors of the Company, each of which is convertible into one equity share.

Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed / approved by the NRC. Such options are exercisable for a period following vesting at the discretion of the NRC, subject to a maximum of two years from the date of vesting for ESOS-5, ESOS-6, ESOS-7 and ESOS-8 and maximum of four years from the date of vesting for ESOS-9.

Method used for accounting for shared based payment plan

The Company uses intrinsic value to account for the compensation cost of stock options to employees of the Company.

Activity in the options outstanding under the Employee Stock Option Plans

- Activity in the options outstanding under the Employee Stock Option Plan as at March 31, 2017:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	48,42,950	88.41
Granted during the year	31,17,500	137.00
Exercised during the year	15,79,440	77.86
Forfeited / Lapsed during the year	5,02,350	93.46
Options outstanding, end of year	58,78,660	112.46

- Activity in the options outstanding under the Employee Stock Option Plan as at March 31, 2016:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	14,37,250	50.62
Granted during the year	44,13,000	88.00
Exercised during the year	7,02,550	48.25
Forfeited / Lapsed during the year	3,04,750	76.22
Options outstanding, end of year	48,42,950	88.41

- Following table summarises the information about stock options outstanding as at March 31, 2017:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
ESOS - 6	31.00	1,200	0.50	31.00
ESOS - 7	56.00	1,02,700	0.50	56.00
ESOS - 8	88.00	27,71,260	2.74	88.00
ESOS - 9	137.00	30,03,500	5.49	137.00

- Following table summarises the information about stock options outstanding as at March 31, 2016:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
ESOS - 5	25.00	4,000	0.50	25.00
ESOS - 6	31.00	70,650	1.30	31.00
ESOS - 7	56.00	5,60,300	1.35	56.00
ESOS - 8	88.00	42,08,000	1.40	88.00

Fair Value methodology

The fair value of options used to compute *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, 2017 are:

Particulars	March 31, 2017	March 31, 2016
Dividend yield	0.88%	0.80%
Expected volatility	Nil	Nil
Risk-free interest rate	6.54%	7.70%
Expected life of the option	3 years	2.21 years

Impact of fair value method on net profit and EPS

Had compensation cost for the Company's stock option plans been determined based on the fair value approach, the Company's net profit and earnings per share would have been as per the *proforma* amounts indicated below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Net Profit (as reported)	684.21	534.41
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method (*proforma*)	8.36	4.87
Net Profit (*proforma*)	675.85	529.54
	(₹)	(₹)
Basic earnings per share (as reported)	9.64	7.64
Basic earnings per share (*proforma*)	9.52	7.57
Diluted earnings per share (as reported)	9.64	7.64
Diluted earnings per share (*proforma*)	9.52	7.57

Group

Impact of fair value method on net profit and EPS of the Group

Had compensation cost for the stock option plans outstanding been determined based on the fair value approach, the Group's net profit and earnings per share would have been as per the *proforma* amounts indicated below: **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Net Profit (as reported)	15,253.03	12,801.33
Less: Stock-based compensation expense determined under fair value based method (*proforma*)	821.89	1,270.80
Net Profit (*proforma*)	14,431.14	11,530.53
	(₹)	(₹)
Basic earnings per share (as reported)	59.95	50.85
Basic earnings per share (*proforma*)	56.72	45.80
Diluted earnings per share (as reported)	59.16	50.24
Diluted earnings per share (*proforma*)	55.97	45.26

9 Other liabilities

- The Bank has presented gross unrealised gain on foreign exchange and derivative contracts under other assets and gross unrealised loss on foreign exchange and derivative contracts under other liabilities. Accordingly, other liabilities as at March 31, 2017 include unrealised loss on foreign exchange and derivative contracts of ₹ 13,880.38 crore (previous year: ₹ 7,524.88 crore)

10 Investments

- Investments include securities of Face Value (FV) aggregating ₹ 1,520.00 crore (previous year: FV ₹ 1,520.00 crore) which are kept as margin for clearing of securities, of FV ₹ 24,488.31 crore (previous year: FV ₹ 13,729.30 crore) which are kept as margin for Collateralised Borrowing and Lending Obligation (CBLO) and of FV aggregating ₹ 100.00 crore (previous year: FV ₹ 56.00 crore) which are kept as margin for Forex Forward segment - Default Fund with the Clearing Corporation of India Limited (CCIL).
- Investments include securities of FV aggregating ₹ 16.00 crore (previous year: FV ₹ 16.00 crore) which are kept as margin with National Securities Clearing Corporation of India Limited. (NSCCIL), of FV aggregating ₹ 13.00 crore (previous year: FV ₹ 13.00 crore) which are kept as margin with Metropolitan Clearing Corporation of India Limited and of FV aggregating ₹ 5.00 crore (previous year: ₹ 1.00 crore) which are kept as margin with Indian Clearing Corporation Limited in the BSE currency derivatives segment.
- Investments having FV aggregating ₹ 42,730.27 crore (previous year: FV ₹ 35,937.22 crore) are kept as margin towards Real Time Gross Settlement (RTGS) and those having FV aggregating ₹ 41,473.92 crore (previous year: ₹ 13,091.46 crore) are kept as margin towards repo transactions with the RBI.
- Investments of FV aggregating ₹ 11.05 crore (previous year: FV ₹ 10.05 crore) are kept as margin for Forex Settlement Default Fund, of FV aggregating ₹ 75.40 crore (previous year: ₹ 85.40 crore) are kept as Cash Margin, of FV aggregating ₹ 65.00 crore (previous year: nil) are kept as margin for Securities Segment Default Fund, of FV aggregating ₹ 25.00 crore (previous year: nil) are kept as margin for CBLO Segment Default Fund and of FV aggregating ₹ 41.00 crore (previous year: ₹ 11.00 crore) are kept as margin for Rupee Derivatives Guaranteed Settlement Default Fund with CCIL.

11 Other fixed assets

Other fixed assets includes amount capitalised relating to software, Bombay Stock Exchange card and electronic trading platform. Summary regarding the same is tabulated below: **(₹ crore)**

Particulars	March 31, 2017	March 31, 2016
Cost		
As at March 31 of the previous year	1,774.82	1,609.52
Additions during the year	413.26	165.31
Deductions during the year	-	(0.01)
Total (a)	**2,188.08**	**1,774.82**
Depreciation		
As at March 31 of the previous year	1,248.71	1,049.45
Charge for the year	260.41	199.27
On deductions during the year	-	(0.01)
Total (b)	**1,509.12**	**1,248.71**
Net value (a-b)	**678.96**	**526.11**

12 Other assets

- Other assets include deferred tax asset (net) of ₹ 2,587.06 crore (previous year: ₹ 2,227.23 crore). The break-up of the same is as follows:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Deferred tax asset arising out of:		
Loan loss provisions	2,207.53	1,856.51
Employee benefits	175.39	150.77
Others	322.66	314.47
Total (a)	**2,705.58**	**2,321.75**
Deferred tax liability arising out of:		
Depreciation	(118.52)	(94.52)
Total (b)	**(118.52)**	**(94.52)**
Deferred tax asset (net) (a-b)	**2,587.06**	**2,227.23**

13 Provisions, contingent liabilities and contingent assets

Given below is the movement in provisions and a brief description of the nature of contingent liabilities recognised by the Bank.

a) Provision for credit card and debit card reward points

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Opening provision for reward points	306.36	200.07
Provision for reward points made during the year	334.24	179.50
Utilisation / write back of provision for reward points	(209.36)	(73.21)
Closing provision for reward points	431.24	306.36

b) Provision for legal and other contingencies

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Opening provision	344.56	354.91
Movement during the year (net)	(32.66)	(10.35)
Closing provision	311.90	344.56

c) Provision pertaining to fraud accounts

Particulars	March 31, 2017
No. of frauds reported during the year	2,319
Amount involved in fraud (₹ crore)	165.20
Amount involved in fraud net of recoveries / write-offs as at the end of the year (₹ crore)	20.83
Provisions held as at the end of the year (₹ crore)	20.83
Amount of unamortised provision debited from “other reserves” as at the end of the year (₹ crore)	-

d) Description of contingent liabilities

Sr. No.	Contingent liability*	Brief description
1	Claims against the Group not acknowledged as debts - taxation	The Group is a party to various taxation matters in respect of which appeals are pending. The Group expects the outcome of the appeals to be favourable 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, endorsements and other obligations	As a part of its commercial banking activities the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the Bank's customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
5	Other items for which the Group is contingently liable	These include: a) Credit enhancements in respect of securitised-out loans; b) Bills rediscounted by the Bank; c) Capital commitments; d) Underwriting commitments; e) Investment purchases pending settlement; f) Amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF).

**Also refer Schedule 12 - Contingent Liabilities*

14 Commission, exchange and brokerage income

Commission, exchange and brokerage income is net of correspondent bank charges.

15 Provisions and contingencies

The break-up of 'Provisions and Contingencies' included in the Statement of Profit and Loss is given below: **(₹ crore)**

Particulars		March 31, 2017	March 31, 2016
Provision for income tax	- Current	8,424.16	6,889.36
	- Deferred	(346.04)	(195.70)
Provision for NPAs		3,503.37	2,344.37
Provision for diminution in value of non-performing investments		(7.64)	14.65
Provision for standard assets		431.23	464.89
Other provisions and contingencies*		63.85	136.86
	Total	**12,068.93**	**9,654.43**

**Includes provisions for tax, legal and other contingencies ₹ 38.72 crore (previous year: ₹ 37.33 crore), floating provisions ₹ 25.00 crore (previous year: ₹ 115.00 crore), provisions / (write back) for securitised-out assets ₹ 2.62 crore (previous year: ₹ (2.85) crore) and standard restructured assets ₹ (2.50) crore (previous year: ₹ (12.62) crore).*

16 Employee benefits

Gratuity (₹ crore)

Particulars	March 31, 2017	March 31, 2016
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	401.93	318.37
Addition due to amalgamation	33.48	-
Interest cost	29.11	22.98
Current service cost	74.76	56.53
Benefits paid	(45.47)	(24.88)
Actuarial (gain) / loss on obligation:		
Experience adjustment	39.69	16.27
Assumption change	15.00	12.66
Present value of obligation as at March 31	**548.50**	**401.93**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	295.46	248.13
Addition due to amalgamation	20.76	-
Expected return on plan assets	24.83	21.72
Contributions	60.10	64.10
Benefits paid	(45.47)	(24.88)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	31.19	(13.61)
Assumption change	3.36	-
Fair value of plan assets as at March 31	**390.23**	**295.46**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	390.23	295.46
Present value of obligation as at March 31	(548.50)	(401.93)
Asset / (liability) as at March 31	**(158.27)**	**(106.47)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	29.11	22.98
Current service cost	74.76	56.53
Expected return on plan assets	(24.83)	(21.72)
Net actuarial (gain) / loss recognised in the year	20.13	42.54
Net cost	**99.17**	**100.33**
Actual return on plan assets	59.38	8.11
Estimated contribution for the next year	94.73	53.08
Assumptions (HDFC Bank Limited)		
Discount rate	7.1% per annum	7.5% per annum
Expected return on plan assets	7.0% per annum	8.0% per annum
Salary escalation rate	8.0% per annum	8.0% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	6.8% per annum	7.6% per annum
Expected return on plan assets	7.6% per annum	7.6% per annum
Salary escalation rate	12.0% per annum	9.0% per annum
Assumptions (HDB Financial Services Limited)		
Discount rate	6.4% - 6.5% per annum	7.8% per annum
Expected return on plan assets	7.5% per annum	8.0% per annum
Salary escalation rate	5% - 7.5% per annum	6.0% per annum

Experience adjustment (₹ crore)

Particulars	Years ended March 31,				
	2017	2016	2015	2014	2013
Plan assets	390.23	295.46	248.13	176.20	132.60
Defined benefit obligation	548.50	401.93	318.37	242.71	209.82
Surplus / (deficit)	(158.27)	(106.47)	(70.24)	(66.51)	(77.22)
Experience adjustment gain / (loss) on plan assets	31.19	(13.61)	21.27	1.82	2.00
Experience adjustment (gain) / loss on plan liabilities	39.69	16.27	4.84	6.30	2.61

Expected rate of return on investments is determined based on the assessment made by the Group at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as at March 31, 2017 are given below:

Category of plan assets	HDFC Bank Limited	HDFC Securities Limited	HDB Financial Services Limited
Government securities	28.0%	38.0%	55.6%
Debenture and bonds	27.0%	44.0%	43.2%
Equity shares	40.8%	13.0%	-
Others	4.2%	5.0%	1.2%
Total	**100.0%**	**100.0%**	**100.0%**

Pension (₹ crore)

Particulars	March 31, 2017	March 31, 2016
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	70.88	57.45
Interest cost	4.80	3.92
Current service cost	1.23	1.12
Benefits paid	(6.62)	(10.18)
Actuarial (gain) / loss on obligation:		
Experience adjustment	4.65	17.35
Assumption change	(1.39)	1.22
Present value of obligation as at March 31	**73.55**	**70.88**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	38.38	41.91
Expected return on plan assets	2.61	3.21
Contributions	1.03	2.01
Benefits paid	(6.62)	(10.18)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	0.39	1.43
Assumption change	0.37	-
Fair value of plan assets as at March 31	**36.16**	**38.38**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	36.16	38.38
Present value of obligation as at March 31	(73.55)	(70.88)
Asset / (liability) as at March 31	**(37.39)**	**(32.50)**

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Expenses recognised in Statement of Profit and Loss		
Interest cost	4.80	3.92
Current service cost	1.23	1.12
Expected return on plan assets	(2.61)	(3.21)
Net actuarial (gain) / loss recognised in the year	2.50	17.14
Net cost	**5.92**	**18.97**
Actual return on plan assets	3.37	4.64
Estimated contribution for the next year	7.18	14.00
Assumptions		
Discount rate	7.1% per annum	7.5% per annum
Expected return on plan assets	7.0% per annum	8.0% per annum
Salary escalation rate	8.0% per annum	8.0% per annum

Experience adjustment (₹ crore)

Particulars	Years ended March 31,				
	2017	2016	2015	2014	2013
Plan assets	36.16	38.38	41.91	47.99	48.88
Defined benefit obligation	73.55	70.88	57.45	58.89	58.19
Surplus / (deficit)	(37.39)	(32.50)	(15.54)	(10.90)	(9.31)
Experience adjustment gain / (loss) on plan assets	0.39	1.43	(2.38)	3.45	(1.58)
Experience adjustment (gain) / loss on plan liabilities	4.65	17.35	(0.19)	3.62	6.12

Expected rate of return on investments is determined based on the assessment made by the Bank at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as at March 31, 2017 are given below:

Category of plan assets	% of fair value to total plan assets as at March 31, 2017
Government securities	6.9%
Debenture and bonds	87.7%
Others	5.4%
Total	**100.0%**

Provident fund

The guidance note on AS-15, Employee Benefits, states that employer established provident funds, where interest is guaranteed are to be considered as defined benefit plans and the liability has to be valued. The Institute of Actuaries of India (IAI) has issued a guidance note on valuation of interest rate guarantees on exempt provident funds. The actuary has accordingly valued the same and the Bank held a provision of Nil as at March 31, 2017 (previous year: Nil) towards the present value of the guaranteed interest benefit obligation. The actuary has followed deterministic approach as prescribed by the guidance note.

Assumptions:

Particulars	March 31, 2017	March 31, 2016
Discount rate (GOI security yield)	7.1% per annum	7.5% per annum
Expected guaranteed interest rate	8.7% per annum	9.0% per annum

The Bank does not have any unfunded defined benefit plan. The Group contributed ₹ 292.00 crore (previous year: ₹ 206.99 crore) to the provident fund. The Bank contributed ₹ 78.67 crore (previous year: ₹ 56.54 crore) to the superannuation plan.

Compensated absences

The actuarial liability of compensated absences of accumulated privileged and sick leaves of the employees of the Group as of March 31, 2017 is given below:

(₹ crore)

Particulars	March 31, 2017	March 31, 2016
Privileged leave	254.28	227.40
Sick leave	56.12	47.88
Total actuarial liability	**310.40**	**275.28**
Assumptions (HDFC Bank Limited)		
Discount rate	7.1% per annum	7.5% per annum
Salary escalation rate	8.0% per annum	8.0% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	6.8% per annum	7.6% per annum
Salary escalation rate	12.0% per annum	9.0% per annum
Assumptions (HDB Financial Services Limited)		
Discount rate	6.4% - 6.5% per annum	7.8% per annum
Salary escalation rate	5% - 7.5% per annum	6.0% per annum

17 Segment Reporting

Business segments

Business segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by RBI. The Group operates in the following segments:

(a) Treasury

The treasury segment primarily consists of net interest earnings from the Bank's investment portfolio, money market borrowing and lending, gains or losses on investment operations and on account of trading in foreign exchange and derivative contracts.

(b) Retail banking

The retail banking segment of the Bank serves retail customers through a branch network and other delivery channels. This segment raises deposits from customers and provides loans and other services to customers with the help of specialist product groups. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof.

Revenues of the retail banking segment are derived from interest earned on retail loans, interest earned from other segments for surplus funds placed with those segments, subvention received from dealers and manufacturers, fees from services rendered, foreign exchange earnings on retail products etc. Expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.

(c) Wholesale banking

The wholesale banking segment provides loans, non-fund facilities and transaction services to large corporates, emerging corporates, public sector units, government bodies, financial institutions and medium scale enterprises. Revenues of the wholesale banking segment consist of interest earned on loans made to customers, interest / fees earned on the cash float arising from transaction services, earnings from trade services and other non-fund facilities and also earnings from foreign exchange and derivative transactions on behalf of customers. The principal expenses of the segment consist of interest expense on funds borrowed from external sources and other internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, specialist product groups, processing units and support groups.

(d) Other banking business

This segment includes income from para banking activities such as credit cards, debit cards, third party product distribution, primary dealership business and the associated costs. This segment also includes Bank's subsidiaries.

(e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes capital and reserves, debt classified as Tier I or Tier II capital and other unallocable assets and liabilities such as deferred tax, prepaid expenses, etc.

Segment revenue includes earnings from external customers plus earnings from funds transferred to other segments. Segment result includes revenue less interest expense less operating expense and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Interest income is charged by a segment that provides funding to another segment, based on yields benchmarked to an internally approved yield curve or at a certain agreed transfer price rate. Transaction charges are levied by the retail banking segment to the wholesale banking segment for the use by its customers of the retail banking segment's branch network or other delivery channels. Such transaction costs are determined on a cost plus basis. Segment capital employed represents the net assets in that segment.

Geographic segments

The geographic segments of the Bank are categorised as domestic operations and foreign operations. Domestic operations comprise branches in India and foreign operations comprise branches outside India.

Segment reporting for the year ended March 31, 2017 is given below:

Business segments: **(₹ crore)**

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	21,581.79	66,147.50	31,332.24	13,593.23	132,654.76
2	Unallocated revenue					-
3	Less: Inter-segment revenue					46,505.77
4	Income from operations (1) + (2) - (3)					86,148.99
5	Segment results	1,308.38	8,432.16	10,473.77	4,591.77	24,806.08
6	Unallocated expenses					1,440.55
7	Income tax expense (including deferred tax)					8,078.12
8	Net profit (5) - (6) - (7) (net profit before minority interest and earnings from associates)					15,287.41
9	Segment assets	264,536.14	295,828.92	270,969.09	55,709.83	887,043.98
10	Unallocated assets					5,300.18
11	Total assets (9) + (10)					892,344.16
12	Segment liabilities	73,857.49	525,792.90	156,129.90	29,023.68	784,803.97
13	Unallocated liabilities					15,454.80
14	Total liabilities (12) + (13)					800,258.77
15	Capital employed (9) - (12) (Segment assets - Segment liabilities)	190,678.65	(229,963.98)	114,839.19	26,686.15	102,240.01
16	Unallocated (10) - (13)					(10,154.62)
17	Total (15) + (16)					92,085.39
18	Capital expenditure	32.85	846.56	150.30	227.58	1,257.29
19	Depreciation	10.15	659.66	90.78	125.60	886.19

Geographic segments: (₹ crore)

Particulars	Domestic	International
Revenue	85,125.34	1,023.65
Assets	868,432.68	23,911.48
Capital expenditure	1,255.83	1.46

Segment reporting for the year ended March 31, 2016 is given below:

Business segments: (₹ crore)

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	18,264.88	59,252.34	27,162.39	10,954.46	115,634.07
2	Unallocated revenue					0.01
3	Less: Inter-segment revenue					41,260.86
4	Income from operations (1) + (2) - (3)					74,373.22
5	Segment results	1,489.21	7,855.03	7,887.20	3,705.31	20,936.75
6	Unallocated expenses					1,425.76
7	Income tax expense (including deferred tax)					6,693.66
8	Net profit (5) - (6) - (7) (net profit before minority interest and earnings from associates)					12,817.33
9	Segment assets	235,331.98	252,690.65	226,242.65	43,049.31	757,314.59
10	Unallocated assets					4,897.74
11	Total assets (9) + (10)					762,212.33
12	Segment liabilities	77,340.38	448,313.40	120,425.52	22,085.58	668,164.88
13	Unallocated liabilities					19,562.70
14	Total liabilities (12) + (13)					687,727.58
15	Capital employed (9) - (12)	157,991.60	(195,622.75)	105,817.13	20,963.73	89,149.71
	(Segment assets - Segment liabilities)					
16	Unallocated (10) - (13)					(14,664.96)
17	Total (15) + (16)					74,484.75
18	Capital expenditure	5.09	729.46	134.59	135.72	1,004.86
19	Depreciation	6.16	540.47	101.67	89.73	738.03

Geographic segments: (₹ crore)

Particulars	Domestic	International
Revenue	73,216.82	1,156.40
Assets	726,255.45	35,956.88
Capital expenditure	1,003.97	0.89

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18 Related party disclosures

As per AS-18 on Related Party Disclosures, the Group's related parties are disclosed below:

Promoter

Housing Development Finance Corporation Limited

Associates

International Asset Reconstruction Company Private Limited

Atlas Documentary Facilitators Company Private Limited*

HBL Global Private Limited*

**Atlas Documentary Facilitators Company Private Limited and HBL Global Private Limited amalgamated with HDB Financial Services Limited pursuant to the approval of the Honourable High courts of Gujarat and Bombay with effect from December 1, 2016. The appointed date of the merger as per the scheme of amalgamation was April 1, 2014. Accordingly transactions entered into by the Bank with these entities during the financial year ended March 31, 2017 have been classified under transactions with HDB Financial Services Limited.*

Key management personnel

Aditya Puri, Managing Director

Paresh Sukthankar, Deputy Managing Director

Kaizad Bharucha, Executive Director

Related parties to key management personnel

Salisbury Investments Private Limited, Tanaksh Innovations Private Limited, Akuri by Puri, Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad, Havovi Bharucha, Huzaan Bharucha, Danesh Bharucha, Daraius Bharucha.

In accordance with paragraph 5 of AS - 18, the Bank has not disclosed certain transactions with relatives of key management personnel as they are in the nature of banker-customer relationship.

The significant transactions between the Bank and related parties for the year ended March 31, 2017 are given below. A specific related party transaction is disclosed as a significant transaction wherever it exceeds 10% of all related party transactions in that category:

- Interest paid: Housing Development Finance Corporation Limited ₹ 5.57 crore (previous year: ₹ 7.25 crore).
- Rendering of services: Housing Development Finance Corporation Limited ₹ 207.45 crore (previous year: ₹ 178.83 crore).
- Receiving of services: Housing Development Finance Corporation Limited ₹ 343.10 crore (previous year: ₹ 247.21 crore).
- Dividend paid: Housing Development Finance Corporation Limited ₹ 373.55 crore (previous year: ₹ 314.57 crore).

For the year ended March 31, 2017

The Group's related party balances and transactions for the year ended March 31, 2017 are summarised as follows:

(₹ crore)

Items / related party	Promoter	Associates	Key management personnel	Total
Deposits taken	2,500.25 (2,500.25)	25.05 (25.05)	13.61 (60.14)	2,538.91 (2,585.44)
Deposits placed	0.15 (0.15)	- -	2.51 (2.51)	2.66 (2.66)
Advances given	- -	0.05 (0.05)	3.44 (3.44)	3.49 (3.49)
Fixed assets purchased from	-	-	-	-
Fixed assets sold to	-	-	-	-
Interest paid to	5.57	0.51	1.02	7.10
Interest received from	-	-	0.03	0.03
Income from services rendered to	207.45	-	-	207.45
Expenses for receiving services from	343.10	-	0.76	343.86
Equity investments	- -	31.17 (31.17)	- -	31.17 (31.17)
Other investments	- (126.48)	- -	- -	- (126.48)
Dividend paid to	373.55	-	4.49	378.04
Dividend received from	-	-	-	-
Receivable from	23.16 (23.16)	- -	- -	23.16 (23.16)
Payable to	33.67 (33.67)	- -	- -	33.67 (33.67)
Guarantees given	0.12 (0.14)	- -	- -	0.12 (0.14)
Remuneration paid	-	-	20.79	20.79
Loans purchased from	13,845.65	-	-	13,845.65

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Remuneration paid excludes value of employee stock options exercised during the year.

For the year ended March 31, 2017

The Bank being an authorised dealer, deals in foreign exchange and derivative transactions with parties which include its promoter. The foreign exchange and derivative transactions are undertaken in line with the RBI guidelines. The notional principal amount of foreign exchange and derivative contracts transacted with the promoter that were outstanding as at March 31, 2017 is ₹ 665.77 crore (previous year: ₹ 491.21 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is ₹ 40.18 crore (previous year: ₹ 18.90 crore).

During the year ended March 31, 2017, the Bank purchased debt securities from Housing Development Finance Corporation Limited ₹ 2,320.00 crore (previous year: ₹ 1,415.00 crore) issued by it.

During the year ended March 31, 2017, the Bank paid rent of ₹ 0.66 crore (previous year: ₹ 0.66 crore) to parties related to the Bank's key management personnel in relation to residential accommodation. As at March 31, 2017, the security deposit outstanding was ₹ 3.50 crore (previous year: ₹ 3.50 crore).

The Group's related party balances and transactions for the year ended March 31, 2016 are summarised as follows: **(₹ crore)**

Items / related party	Promoter	Associates	Key management personnel	Total
Deposits taken	4,405.56 (4,405.56)	100.02 (100.02)	10.12 (11.50)	4,515.70 (4,517.08)
Deposits placed	0.15 (0.15)	0.10 (7.10)	2.51 (2.51)	2.76 (9.76)
Advances given	- -	0.22 (36.95)	0.95 (0.99)	1.17 (37.94)
Fixed assets purchased from	-	-	-	-
Fixed assets sold to	-	-	-	-
Interest paid to	7.25	3.89	0.84	11.98
Interest received from	-	2.27	0.02	2.29
Income from services rendered to	178.83	6.07	-	184.90
Expenses for receiving services from	247.21	1,173.64	0.76	1,421.61
Equity investments	- -	31.19 (31.19)	- -	31.19 (31.19)
Dividend paid to	314.57	-	3.37	317.94
Dividend received from	-	0.01	-	0.01
Receivable from	16.30 (28.42)	- (0.38)	- -	16.30 (28.80)
Payable to	26.93 (26.93)	39.85 (102.70)	- -	66.78 (129.63)
Guarantees given	0.14 (0.14)	- -	- -	0.14 (0.14)
Remuneration paid	-	-	18.34	18.34
Loans purchased from	12,773.37	-	-	12,773.37

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Remuneration paid excludes value of employee stock options exercised during the year.

19 Leases

Operating leases primarily comprise office premises, staff residences and Automated Teller Machines ('ATM's), which are renewable at the option of the Bank. The details of maturity profile of future operating lease payments are given below:

(₹ crore)

Particulars	**March 31, 2017**	**March 31, 2016**
Not later than one year	995.56	925.82
Later than one year and not later than five years	3,185.49	2,947.21
Later than five years	3,154.93	2,564.32
Total	**7,335.98**	**6,437.35**
The total of minimum lease payments recognised in the Statement of Profit and Loss for the year	1,150.97	1,038.00
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	25.33	37.13
Sub-lease amounts recognised in the Statement of Profit and Loss for the year	11.31	10.67
Contingent (usage based) lease payments recognised in the Statement of Profit and Loss for the year	138.79	180.53

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

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

20 Penalties levied by the RBI

Further to the media reports in October 2015 about irregularities in advance import remittances in various banks, the Reserve Bank of India (RBI) had conducted a scrutiny of the transactions carried out by the bank under Section 35(1A) of the Banking Regulation Act, 1949. The RBI issued a Show Cause Notice to which the Bank had submitted its detailed response. After considering the Bank's submission, the RBI imposed a penalty of ₹ 2.00 crore on the Bank vide its letter dated July 19, 2016 on account of pendency in receipt of bill of entry relating to advance import remittances made and lapses in adhering to KYC / AML guidelines in this respect. The penalty has since been paid. The Bank has implemented a comprehensive corrective action plan, to strengthen its internal control mechanisms so as to ensure that such incidents do not recur. The above matter does not constitute a material weakness or significant deficiency in the framework of internal financial controls over financial reporting maintained by the Bank under Section 134(3)(q) of the Companies Act 2013.

During the year ended March 31, 2016, RBI had not imposed any penalties on the Bank.

21 Small and micro industries

HDFC Bank Limited

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

HDFC Securities Limited

On the basis of the information available with the Company and the intimation received from 'suppliers' regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 the amount unpaid as at March 31, 2017 was ₹ 0.02 crore (previous year: ₹ 0.02 crore).

HDB Financial Services Limited

As per the confirmation received from the suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006, the amount unpaid as at March 31, 2017 was Nil (previous year: Nil).

22 Corporate social responsibility

Operating expenses include ₹ 313.31 crore (previous year: ₹ 197.10 crore) for the year ended March 31, 2017 towards Corporate Social Responsibility (CSR), in accordance with the Companies Act, 2013.

The details of amount spent during the respective years towards CSR are as under: (₹ crore)

Sr. No.	Particulars	March 31, 2017			March 31, 2016		
		Amount spent	Amount unpaid / provision	Total	Amount spent	Amount unpaid / provision	Total
(i)	Construction / acquisition of any asset	-	-	-	-	-	-
(ii)	On purpose other than (i) above	313.31	-	313.31	188.75	8.35	197.10

23 Additional disclosure

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiaries have no material bearing on the true and fair view of the Consolidated Financial Statements and the information pertaining to the items which are not material have not been disclosed in the Consolidated Financial Statements.

24 Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

For and on behalf of the Board

Shyamala Gopinath
Chairperson

Aditya Puri
Managing Director

Paresh Sukthankar
Deputy Managing Director

Kaizad Bharucha
Executive Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Sashidhar Jagdishan
Chief Financial Officer

Anami Roy
Bobby Parikh
Keki Mistry
Malay Patel
Partho Datta
Renu Karnad
Srikanth Nadhamuni
Umesh Sarangi
Directors

Mumbai, April 21, 2017

Form AOC - 1: Pursuant to the first proviso to sub-section (3) of Section 129 of the Companies Act, 2013 read with rule 5 of Companies (Accounts) Rules, 2014 and Companies (Accounts) Amendment Rules, 2016

Statement containing salient features of the financial statements of subsidiaries, associate companies and joint ventures

Part A: Subsidiaries

(₹ crore)

Sr. No.	Name of the subsidiary	HDFC Securities Limited	HDB Financial Services Limited
1.	The date since when subsidiary was acquired	September 28, 2005	August 31, 2007
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Reporting period of the subsidiary is the same as that of the holding company i.e. April 1, 2016 to March 31, 2017	Reporting period of the subsidiary is the same as that of the holding company i.e. April 1, 2016 to March 31, 2017
3.	Reporting currency and exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries.	Not applicable as this is a domestic subsidiary	Not applicable as this is a domestic subsidiary
4.	Share capital	15.48	780.24
5.	Reserves & surplus	791.93	4,582.66
6.	Total assets	1,380.23	33,456.09
7.	Total liabilities	572.82	28,093.19
8.	Investments	308.61	465.06
9.	Turnover	553.20	5,714.54
10.	Profit before taxation	329.45	1,058.59
11.	Provision for taxation	113.55	374.38
12.	Profit after taxation	215.90	684.21
13.	Proposed dividend (including tax thereon)*	111.80	133.18
14.	Extent of shareholding (in percentage)	97.9%	96.2%

* *Includes interim dividend on equity shares paid during the year. In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the subsidiaries have not appropriated their proposed dividend (including tax) from Statement of Profit and Loss for the year ended March 31, 2017.*

Notes:

1. There are no subsidiaries that are yet to commence operations.
2. No subsidiaries were liquidated or sold during the year.

Part B: Associate Companies and Joint Ventures

(₹ crore)

Sr. No.	Name of Associates or Joint Ventures	International Asset Reconstruction Company Private Limited
1.	Latest audited Balance Sheet Date	March 31, 2016*
2.	Date on which the Associate or Joint venture was associated or acquired	May 23, 2008
3.	Shares of Associate or Joint Ventures held by the company on the year end:	
	Number of shares	1,61,75,507
	Amount of investment in associates or joint venture	31.17
	Extent of holding (in percentage)	29.4%
4.	Description of how there is significant influence	Extent of equity holding in the associate company exceeds 20%
5.	Reason why the associate or joint venture is not consolidated	Not applicable
6.	Net worth attributable to the Bank's shareholding	39.06*
7.	Profit / Loss for the year:	
	i. Considered in consolidated financial statements	2.34*
	ii. Not considered in consolidated financial statements	5.70*

* *Unaudited financial statements drawn up to March 31, 2017 have been considered for the purpose of the Consolidated Financial Statements for the year ended March 31, 2017.*

Notes:

1. There are no joint ventures as per Accounting Standard 27 - Financial Reporting of Interests in Joint Ventures.
2. There are no associates or joint ventures that are yet to commence operations.
3. During the year ended March 31, 2017, Atlas Documentary Facilitators Company Private Limited and HBL Global Private Limited, associates of the Bank as at March 31, 2016, amalgamated with HDB Financial Services Limited, pursuant to the approval of the Honourable High courts of Gujarat and Bombay with effect from December 1, 2016. The appointed date of the merger as per the scheme of amalgamation was April 1, 2014.

For and on behalf of the Board

Shyamala Gopinath
Chairperson

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Managing Director

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Malay Patel
Partho Datta
Renu Karnad
Srikanth Nadhamuni
Umesh Sarangi
Directors

Mumbai, April 21, 2017

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As at March 31, 2017

The Reserve Bank of India (RBI) vide its circular under reference DBOD.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 on 'Basel III Capital Regulations' ('Basel III circular') read together with the circular under reference DBR.No.BP.BC.80/21.06.201/2014-15 dated March 31, 2015 on 'Prudential Guidelines on Capital Adequacy and Liquidity Standards - Amendments' requires banks to make Pillar 3 disclosures including leverage ratio and liquidity coverage ratio under the Basel III Framework. These disclosures are available on HDFC Bank's website under the 'Regulatory Disclosures' section. The link to this section is given below:

http://www.hdfcbank.com/aboutus/basel_disclosures/default.htm.

The Regulatory Disclosures section contains the following disclosures:

- Qualitative and quantitative Pillar 3 disclosures:
    - Scope of application
    - Capital adequacy
    - Credit risk
    - Credit risk: Portfolios subject to the standardised approach
    - Credit risk mitigation: Disclosures for standardised approach
    - Securitisation exposures
    - Market risk in trading book
    - Operational risk
    - Asset Liability Management ('ALM') risk management
    - General disclosures for exposures related to counterparty credit risk
    - Equities: Disclosure for banking book positions
- Composition of capital and reconciliation requirements.
- Main features and full terms and conditions of regulatory capital instruments.
- Leverage ratio disclosures
- Liquidity coverage ratio disclosure

CERTIFICATE OF COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To The Members of

HDFC Bank Limited

We have examined the compliance of conditions of corporate governance by **HDFC Bank Limited** (the 'Company') for the year ended March 31, 2017, as prescribed in Regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and paras C, D and E of Schedule V to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR').

We state that the compliance of conditions of Corporate Governance is the responsibility of the management, and our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion, and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the aforesaid provisions of LODR.

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

For BNP & Associates
Company Secretaries
[Firm Regn. No. P2014MH037400]

B Narasimhan
Partner
FCS No.: 1303
C P No.: 10440

Place: Mumbai
Date: May 15, 2017

[Report on Corporate Governance pursuant to the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 {"the SEBI Listing Regulations"} and forming a part of the report of the Board of Directors]

PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Bank believes in adopting and adhering to the best recognized corporate governance practices and continuously benchmarking itself against each such practice. The Bank understands and respects its fiduciary role and responsibility towards its shareholders and strives hard to meet their expectations.

The Bank believes that best board practices, transparent disclosures and shareholder empowerment are necessary for creating shareholder value.

The Bank has infused the philosophy of corporate governance into all its activities. The philosophy on corporate governance is an important tool for shareholder protection and maximization of their long term values. The cardinal principles such as independence, accountability, responsibility, transparency, fair and timely disclosures, credibility, sustainability etc. serve as the means for implementing the philosophy of corporate governance in letter and in spirit.

BOARD OF DIRECTORS

The composition of the Board of Directors of the Bank ("Board") is governed by the provisions of the Companies Act, 2013, the Banking Regulation Act, 1949 and the listing requirements of the Indian Stock Exchanges where the securities issued by the Bank are listed.

The Board has twelve (12) Directors as on March 31, 2017.

Composition of the Board of Directors of the Bank as on March 31, 2017:

Executive Directors: Mr. Aditya Puri (Managing Director), Mr. Paresh Sukthankar (Deputy Managing Director) and Mr. Kaizad Bharucha (Executive Director)

Non-Executive Directors: Mr. Keki Mistry and Mrs. Renu Karnad

Independent Directors: Mrs. Shyamala Gopinath (Part-time Non Executive Chairperson), Mr. Partho Datta, Mr. Bobby Parikh, Mr. A. N. Roy, Mr. Malay Patel and Mr. Umesh Chandra Sarangi

Mr. Srikanth Nadhamuni has been appointed as an Additional Director of the Bank with effect from September 20, 2016, to hold office till the conclusion of the ensuing Annual General Meeting of the Bank.

Mr. Keki Mistry and Mrs. Renu Karnad represent Housing Development Finance Corporation Limited (HDFC Limited) on the Board of the Bank.

None of the Directors on the Board is a member of more than ten (10) Committees* and Chairman of more than five (5) Committees* across all the companies in which he / she is a Director. All the Directors have made necessary disclosures regarding Committee positions occupied by them in other companies.

None of the Directors are related to each other.

(Only Audit Committee and Stakeholders' Relationship Committee are considered for the purpose of this limit)*

Details of directorship, memberships and chairmanships of the committees of other companies for each Director of the Bank are as follows:

Name of Director	*Directorships on the Board of other companies **	*Chairmanships on the Board of other companies*	*Memberships of Committees of other companies **	*Chairmanships of Committees of other companies*
Mrs. Shyamala Gopinath	3	-	2	1
Mr. Partho Datta	3	1	3	1
Mr. Bobby Parikh	4	-	-	3
Mr. A. N. Roy	2	1	-	1
Mr. Malay Patel	-	-	-	-
Mr. Keki Mistry	8	1	4	5
Mrs. Renu Karnad	9	-	4	1
Mr. Aditya Puri	-	1	-	-
Mr. Paresh Sukthankar	-	-	-	-
Mr. Kaizad Bharucha	-	-	-	-
Mr. Umesh Chandra Sarangi	-	-	-	-
Mr. Srikanth Nadhamuni $	-	-	-	-

* *Chairmanships not counted*

$ *Mr. Srikanth Nadhamuni was appointed as an Additional Director w.e.f September 20, 2016.*

Note: For the purpose of considering the limit of the Directorships and limits of Committees on which the directors are members / Chairmanships, all public limited companies, whether listed or not, are included. Private Limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 are excluded. Further, Chairmanships/Memberships of only the Audit Committee and the Stakeholders' Relationship Committee have been considered.

PROFILE OF BOARD OF DIRECTORS

The profiles of the Directors of the Bank as on March 31, 2017 are as under:

Mrs. Shyamala Gopinath

Mrs. Shyamala Gopinath, aged 67 years, holds a Master's Degree in Commerce and is a CAIIB. Mrs. Gopinath has over 40 years of experience in financial sector policy formulation in different capacities at RBI. As Deputy Governor of RBI for seven years, Mrs. Gopinath had been guiding and influencing the national policies in the diverse areas of financial sector regulation and supervision, development of financial markets, capital account management, management of government borrowings, forex reserves management and payment and settlement systems.

During 2001-03, Mrs. Gopinath worked as senior financial sector expert in the then Monetary Affairs and Exchange Department of the International Monetary Fund (Financial Institutions Division). Mrs. Gopinath was a member of the FSAP (Financial Sector Assessment Program) missions to Tanzania, Nigeria, Hungary and Poland and the Foreign Exchange and Reserve Management team to Turkey and Kosovo. She also served as RBI representative on the Financial Stability Board.

Mrs. Gopinath does not hold any shares in the Bank as on March 31, 2017.

Mr. Aditya Puri

Mr. Aditya Puri, aged 66 years, holds a Bachelor's degree in Commerce from Punjab University and is an Associate Member of the Institute of Chartered Accountants of India.

Prior to joining the Bank, Mr. Puri was the Chief Executive Officer of Citibank, Malaysia from 1992 to 1994.

Mr. Puri has been the Managing Director of the Bank since September 1994. Mr. Puri has over four decades of experience in the banking sector in India and abroad.

Mr. Puri has provided outstanding leadership as the Managing Director and has contributed significantly to enable the Bank scale phenomenal heights under his stewardship. During the year, Mr. Puri was named amongst the best 30 CEOs in the world in the Barron's list. The numerous awards won by Mr. Puri and the Bank are a testimony to the tremendous credibility that Mr. Puri has built for himself and the Bank over the years.

The Bank has made good and consistent progress on key parameters like balance sheet size, total deposits, net revenues, earnings per share and net profit during Mr. Puri's tenure.

The rankings achieved by the Bank amongst all Indian banks with regard to market capitalization, profit after tax and balance sheet size remain amongst the top 10.

During his tenure Mr. Puri has led the Bank through two major mergers in the Indian banking industry i.e. merger of Times Bank Limited and Centurion Bank of Punjab Limited with HDFC Bank Limited. The subsequent integrations have been smooth and seamless under his inspired leadership.

Mr. Puri's vision and strategy have been the driving force behind the Bank's foray into the world of "Digital Banking" resulting in the roll out of several digital banking products like EVA Webchat Bot, UPI, 10 - second loans, PayZapp, Chillr, etc.

Mr. Puri, along with his relatives, holds 3,441,544 equity shares in the Bank as on March 31, 2017.

Mr. Keki Mistry

Mr. Keki Mistry, aged 62 years, holds a Bachelor's Degree in Commerce from the Mumbai University. Mr. Mistry is a Fellow Member of the Institute of Chartered Accountants of India. Mr. Mistry brings with him over three decades of varied experience in banking and financial services domain.

Mr. Mistry started his career with AF Ferguson & Co, a renowned Chartered Accountancy firm, followed by stints at Hindustan Unilever Limited and Indian Hotels Company Limited.

In the year 1981, Mr. Mistry joined Housing Development Finance Corporation Limited (HDFC Ltd.). Mr. Mistry was inducted on to the Board of HDFC Ltd. as an Executive Director in the year 1993 and was elevated to the post of Managing Director in November 2000. In October 2007, Mr. Mistry was appointed as Vice Chairman & Managing Director of HDFC Ltd. and became the Vice Chairman & CEO in January 2010. As a part of the management team, Mr. Mistry has played a critical role in the successful transformation of HDFC Ltd. into India's leading Financial Services Conglomerate by facilitating formation of companies including HDFC Bank Ltd., HDFC Asset Management Company Ltd., HDFC Standard Life Insurance Company Ltd. and HDFC Ergo General Insurance Company Ltd.

Mr. Mistry, along with his relatives, holds 296,130 equity shares in the Bank as on March 31, 2017.

Mrs. Renu Karnad

Mrs. Renu Karnad, aged 64 years, is a law graduate and also holds a Master's Degree in Economics from University of Delhi. Mrs. Karnad is a Parvin Fellow-Woodrow Wilson School of International Affairs, Princeton University, U.S.A.

Mrs. Karnad joined HDFC Ltd. in 1978. After spending two decades in various positions, Mrs. Karnad was inducted on to the Board as Executive Director in 2000 and was further elevated to the post of Managing Director with effect from January 1, 2010.

Mrs. Karnad brings with her rich experience and enormous knowledge in the mortgage sector, having been part of the nascent real estate and mortgage sectors in India. Mrs. Karnad is in-charge of the lending operations of the HDFC Ltd. and is responsible for spearheading its expansion.

Over the years, Mrs. Karnad has to her credit, numerous awards and accolades. Known for her wit and diplomacy, Mrs. Karnad has always had a humane approach towards solving complex issues. Mrs. Karnad firmly believes that people are key to an organization's success, especially in the service domain and propagates self-belief as the strongest weapon in achieving excellence.

Mrs. Karnad, along with her relatives, holds 287,620 equity shares in the Bank as on March 31, 2017.

Mr. Partho Datta

Mr. Partho Datta, aged 68 years, is an Associate Member of the Institute of Chartered Accountants of India. Mr. Datta 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. Mr. Datta joined the Chennai based Murugappa Group thereafter as the head of Group Finance and was a member of the Management Board of the Group, as well as Director in several Murugappa Group companies. Post retirement from the Murugappa Group, Mr. Datta 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.

Mr. Datta has rich and extensive experience in various financial and accounting matters including financial management, mergers and amalgamations and capital markets strategy.

Mr. Datta is one of the financial experts on the Audit Committee of the Board.

Mr. Datta does not hold any equity shares in the Bank as on March 31, 2017.

Mr. Bobby Parikh

Mr. Bobby Parikh, aged 53 years, holds a Bachelor's degree in Commerce from the Mumbai University and has qualified as a Chartered Accountant in 1987. Mr. Parikh is a Senior Partner with BMR & Associates LLP and leads its financial services practice. Prior to joining BMR & Associates LLP, Mr. Parikh was the Chief Executive Officer of Ernst & Young in India and held that responsibility until December 2003. Mr. Parikh 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, Mr. Parikh has had extensive experience in advising clients across a range of industries. India has witnessed significant deregulation and a progressive transformation of its policy framework. An area of focus for Mr. Parikh 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. Mr. Parikh has led teams that have advised clients in the areas of entry strategy (MNCs into India and Indian companies into overseas markets), business model identification, structuring a business presence, mergers, acquisitions and other business reorganizations. Mr. Parikh 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.

Mr. Parikh 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.

Mr. Parikh 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.

Mr. Parikh, along with his relatives, holds 8,250 equity shares in the Bank as on March 31, 2017.

Mr. A. N. Roy

Mr. A. N. Roy, aged 67 years, is M. A., M. Phil and is a distinguished retired civil servant. During his long career of 38 years in the Indian Police Service (IPS), Mr. Roy held with great distinction a range of assignments, including some of the most prestigious, challenging and sensitive ones, both in the state of Maharashtra and Government of India, including Commissioner of Police, Mumbai and DGP, Maharashtra before retiring in the year 2010.

Mr. Roy's areas of specialization include policy planning, budget, recruitment, training and other finance and administration functions in addition to all operational matters.

A firm believer in technology in Police for providing solutions to a variety of complex problems or citizen facilitation and as 'force-multiplier', Mr. Roy brought in technology in a very big way in the Police department with full co-operation and support of the entire IT Industry. Mr. Roy also held the position of Director General of the Anti-Corruption Bureau, in which capacity Mr. Roy initiated a policy document on vigilance matters for Government of Maharashtra.

Mr. Roy has wide knowledge and experience of security and intelligence matters at the state and national level. Having handled multifarious field and staff assignments, Mr. Roy has a rich and extensive experience of functioning of the government at various levels and of problem solving.

Mr. Roy does not hold equity shares in the Bank as on March 31, 2017.

Mr. Paresh Sukthankar

Mr. Paresh Sukthankar, aged 54 years, completed his graduation from Sydenham College, Mumbai and holds a Bachelor of Commerce (B.Com) degree from University of Mumbai. He has done his Masters in Management Studies (MMS) from Jamnalal

Bajaj Institute (Mumbai). Mr. Sukthankar has also completed the Advanced Management Program (AMP) from the Harvard Business School.

Mr. Sukthankar has been associated with the Bank since its inception in 1994 and has total banking experience of over three decades. At the Bank, he has contributed in and effectively steered the various key areas including Credit, Risk Management, Finance, Human Resources, Investor Relations, Corporate Communications, Corporate Social Responsibility and Information Security verticals of the Bank. He was appointed as Executive Director on the Bank's Board in October 2007. In June 2014, Mr. Sukthankar was elevated to the post of Deputy Managing Director.

Prior to joining the Bank, Mr. Sukthankar worked in Citibank for around 9 years, in various departments including corporate banking, risk management, financial control and credit administration. Mr. Sukthankar has been a member of various Committees formed by Reserve Bank of India and Indian Banks' Association. At present, Mr. Sukthankar is the Deputy Managing Director of the Bank, and is doing a commendable job in maintaining the overall portfolio quality of the Bank.

Mr. Sukthankar, along with his relatives, holds 814,405 equity shares in the Bank as on March 31, 2017.

Mr. Kaizad Bharucha

Mr. Kaizad Bharucha, aged 52 years, holds a Bachelor of Commerce degree from University of Mumbai. He has been associated with the Bank since 1995. In his current position as Executive Director, he is responsible for Wholesale Banking covering areas of Corporate Banking, Emerging Corporate Group, Business Banking, Capital Markets & Commodities Business, Agri Lending, Investment Banking, Financial Institutions & Government Business and Department for Special Operations. He has driven growth and profitability in the aforesaid areas of the Wholesale banking segment of the Bank.

In his previous position as Group Head - Credit & Market Risk, he was responsible for the Risk Management activities in the Bank viz., Credit Risk, Market Risk, Debt Management, Risk Intelligence and Control functions.

Mr. Bharucha has been a career banker with over three decades of banking experience. Prior to joining the Bank, he worked in SBI Commercial and International Bank in various areas including Trade Finance and Corporate Banking.

He has represented HDFC Bank as a member of the working group constituted by the Reserve Bank of India to examine the role of Credit Information Bureau and on the sub-committee with regard to adoption of the Basel II guidelines.

Mr. Bharucha, along with his relatives, holds 938,551 equity shares in the Bank as on March 31, 2017.

Mr. Malay Patel

Mr. Malay Patel, aged 40 years, is a Major in Engineering (Mechanical) from Rutgers University, Livingston, NJ, USA, and an A.A.B.A. in business from Bergen County College, Fairlawn, NJ, USA. He is a director on the Board of Eewa Engineering Company Private Limited, a company in the plastics / packaging industry with exports to more than 50 countries. He has been involved in varied roles such as export / import, procurement, sales and marketing, etc in Eewa Engineering Company Private Limited. Mr. Malay Patel has special knowledge and practical experience in matters relating to small scale industries in terms of Section 10-A (2)(a) of the Banking Regulation Act, 1949.

Mr. Malay Patel does not hold any shares in the Bank as on March 31, 2017.

Mr. Umesh Chandra Sarangi

Mr. Umesh Chandra Sarangi, aged 65 years, holds a Master's Degree in Science (Botany) from the Utkal University (gold medalist).

Mr. Sarangi has 35 years of experience in the Indian Administrative Services and brought in significant reforms in modernization of agriculture, focus on agro processing and export. As the erstwhile Chairman of the National Bank for Agricultural and Rural Development (NABARD) from December 2007 to December 2010, Mr. Sarangi focused on rural infrastructure, accelerated initiatives such as microfinance, financial inclusion, watershed development and tribal development.

Mr. Sarangi has been appointed as a Director having specialized knowledge and experience in agriculture and rural economy pursuant to Section 10-A (2)(a) of the Banking Regulation Act, 1949.

Mr. Sarangi does not hold any shares in the Bank as on March 31, 2017.

Mr. Srikanth Nadhamuni

Mr. Srikanth Nadhamuni, aged 53 years, has been appointed as an Additional Director on the Board of the Bank with effect from September 20, 2016 to hold office till the conclusion of the ensuing Annual General Meeting of the Bank.

Mr. Srikanth Nadhamuni holds a Bachelor's degree in Electronics and Communications from National Institute of Engineering and a Master's degree in Electrical Engineering from Louisiana State University. Mr. Nadhamuni is a technologist and an entrepreneur with 28 years of experience in the areas of CPU design, Healthcare, e-Governance, National ID, Biometrics, Financial Technology and Banking sectors.

Mr. Nadhamuni presently is the Chairman of Novopay Solutions Private Limited, a company involved in the area of mobile payments and is the CEO of Khosla Labs Private Limited, a start-up incubator. He has also been a co-founder of e-Governments Foundation with Mr. Nandan Nilekani which work on the objectives to improve governance in Indian cities, creation of Municipal ERP suite which improves service delivery of cities.

Mr. Nadhamuni was the Chief Technology Officer of Aadhaar (UID Authority of India) during 2009-2012 where he participated in design and development of the world's largest biometric based ID system. He was instrumental in development of Aadhaar technology, several banking and financial protocols including MicroATM, Aadhaar Enabled Payment System (AEPS) and Aadhaar Payment Bridge (APB).

Mr. Nadhamuni spent 14 years in the silicon valley (California, US) working for several global companies such Sun Microsystems (CPU design), Intel Corporation (CPU design), Silicon Graphics (Interactive TV) and WebMD (Internet Healthcare).

Mr. Nadhamuni has been appointed as a Director having expertise in the field of Information Technology.

Mr. Nadhamuni does not hold any shares in the Bank.

BOARD MEETINGS

During the year under review, seven (7) Board Meetings were held. The meetings were held on April 22, 2016, May 19, 2016, July 21, 2016, October 25, 2016, December 16, 2016, January 24, 2017 and March 14, 2017.

Details of attendance at the Board Meetings held during the year under review, are as follows:

1. Mrs. Shyamala Gopinath, Mr. A. N. Roy, Mr. Bobby Parikh, Mr. Malay Patel, Mr. Umesh Chandra Sarangi, Mr. Keki Mistry, Mr. Aditya Puri and Mr. Paresh Sukthankar attended seven (7) Board meetings each.
2. Mrs. Renu Karnad and Mr. Partho Datta attended six (6) Board meetings each.
3. Mr. Kaizad Bharucha, Executive Director, attended five (5) Board meetings.
4. Mr. Srikanth Nadhamuni attended four (4) Board meetings. (Mr. Nadhamuni was appointed as Additional Director on the Board of the Bank w.e.f. September 20, 2016.)

ATTENDANCE AT LAST AGM

All the directors of the Bank who were on the Board of the Bank as on the date of previous Annual General Meeting held on July 21, 2016 attended the meeting.

REMUNERATION OF DIRECTORS

Managing Director and other Executive Directors:

The details of the remuneration paid to Mr. Aditya Puri, Managing Director; Mr. Paresh Sukthankar, Deputy Managing Director and Mr. Kaizad Bharucha, Executive Director during the year 2016-17 are as under:

(Amount in ₹)

Particulars	Mr. Aditya Puri	Mr. Paresh Sukthankar	Mr. Kaizad Bharucha
Basic	39,415,680	21,928,752	14,700,000
Allowances and Perquisites	21,498,854	15,658,142	17,375,182
Provident Fund	4,729,884	2,631,456	1,764,000
Superannuation	5,912,352	3,289,313	2,205,000
Performance Bonus #	29,015,377	17,300,777	10,566,653

# Bonus pertaining to FY 2015-16 paid out in FY 2016-17	21,896,522	13,055,031	9,112,740
Deferred Bonus tranches for earlier financial years	7,118,855	4,245,746	1,453,913

No stock options were granted to the whole-time directors during financial year 2016-17.

The criteria for evaluation of performance of Whole-Time Directors include performance vis-à-vis business plans, performance vis-à-vis banking system, and performance in relation to regulatory and compliance requirements.

All the Whole-Time Directors of the Bank have been appointed for a period of three (3) years each. The notice period for each of them, as specified in their respective terms of appointments, is three months.

The remuneration of Mr. Aditya Puri, Mr. Paresh Sukthankar and Mr. Kaizad Bharucha as above has been approved by the Reserve Bank of India (RBI).

The Bank provides for gratuity in the form of lump-sum payment on retirement or on death while in employment or on termination of employment of an amount equivalent to 15 (fifteen) days basic salary payable for each completed year of service.

The Bank makes annual contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The Bank accounts for the liability for future gratuity benefits based on an independent external actuarial valuation carried out annually.

Perquisites (evaluated as per Income Tax Rules, 1962 wherever applicable and at actual cost to the Bank otherwise) such as the benefit of the Bank's furnished accommodation, gas, electricity, water and furnishings, club fees, personal accident insurance, use of car and telephone at residence, medical reimbursement, leave and leave travel concession and other benefits like provident fund, superannuation and gratuity are provided in accordance with the rules of the Bank in this regard.

No sitting fees are paid to Mr. Puri, Mr. Sukthankar and Mr. Bharucha for attending meetings of the Board and / or its Committees.

DETAILS OF REMUNERATION / SITTING FEES PAID TO DIRECTORS

All the non-executive directors including the independent directors and the Chairperson receive remuneration by way of sitting fees for each meeting of the Board and its various committees. Executive directors including independent directors other than the Chairperson also receive profit related commission as per the limits prescribed in the RBI guidelines. No stock options are granted to any of the non-executive directors.

During the year, Mrs. Shyamala Gopinath was paid remuneration of ₹ 3,000,000. Mrs. Gopinath is also paid sitting fees for attending Board and Committee meetings. The remuneration of the Chairperson has been approved by the Reserve Bank of India. Pursuant to the provisions of Companies Act, 2013, the Directors are paid sitting fees @ ₹ 50,000 and ₹100,000 for attending Committee & Board meetings respectively.

The details of sitting fees paid to non-executive directors during the year for attending meetings of the Board and its various Committees are as under:

Name of the Director	Sitting Fees (₹)
Mrs. Shyamala Gopinath	2,700,000
Mr. Partho Datta	2,300,000
Mr. Bobby Parikh	2,750,000
Mr. A. N. Roy	2,500,000
Mr. Malay Patel	1,450,000
Mr. Keki Mistry	1,750,000
Mrs. Renu Karnad	1,500,000
Mr. Umesh Chandra Sarangi	1,200,000
Mr. Srikanth Nadhamuni	550,000

Pursuant to RBI guidelines dated June 1, 2015 on Compensation to Non-executive Directors of Private Sector Banks and shareholders' resolution in this regard, each non-executive director including the independent directors, other than the Chairperson, also receive profit related commission as per the limits prescribed in the RBI guidelines. Pursuant to these guidelines and shareholders' resolution passed at the 22nd Annual General Meeting of the Bank held on July 21, 2016, Mr. Partho Datta, Mr. A. N. Roy, Mr. Bobby Parikh, Mr. Malay Patel, Mr. Keki Mistry and Mrs. Renu Karnad were paid profit related commission of ₹1,000,000 during the year 2016-17 pertaining to FY 2015-16. This is in addition to the sitting fees paid to them for attending Board and Committee Meetings.

There were no other pecuniary relationships or transactions of Non-executive Directors vis-a-vis the Bank (except banking transactions in the ordinary course of business and on arm's length basis) during FY 2016-17.

COMPOSITION OF COMMITTEES OF DIRECTORS AND ATTENDANCE AT THE MEETINGS

The Board has constituted various Committees of Directors to take informed decisions in the best interest of the Bank. These Committees monitor the activities falling within their terms of reference.

The Board's Committees are as follows:

Audit Committee:

The brief terms of reference of the Audit Committee include, inter-alia, the following:

a) Overseeing the Bank's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible;

b) Recommending appointment and removal of external auditors and fixing of their fees;

c) Reviewing with management the annual financial statements and auditor's report before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards, disclosure of related party transactions and other legal requirements relating to financial statements;

d) Reviewing the adequacy of the Audit and Compliance functions, including their policies, procedures, techniques and other regulatory requirements; and

e) Any other terms of reference as may be included from time to time in the Companies Act, 2013, SEBI Listing Regulations, 2015, including any amendments / re-enactments thereof from time to time.

The Board has also adopted a Charter for the Audit Committee in accordance with certain United States regulatory standards as the Bank's securities are also listed on the New York Stock Exchange.

The Audit Committee of the Bank comprises Mr. Bobby Parikh, Mrs. Shyamala Gopinath, Mr. Partho Datta, Mr. A. N. Roy and Mr. Umesh Chandra Sarangi. The Committee is chaired by Mr. Bobby Parikh with effect from January 24, 2017. Prior to this, it was chaired by Mrs. Shyamala Gopinath. All the members of the Committee are independent directors. Mr. Sanjay Dongre, Company Secretary of the Bank, acts as the Secretary of the Committee. Mr. Bobby Parikh and Mr. Partho Datta are the members of Audit Committee having financial expertise.

The Committee met eight (8) times during the year on April 21, 2016; May 19, 2016; July 20, 2016; August 9, 2016; October 24, 2016; November 15, 2016; January 23, 2017 and March 14, 2017.

Nomination and Remuneration Committee:

The brief terms of reference of the Nomination and Remuneration Committee includes scrutinizing the nominations of the directors with reference to their qualifications and experience, for identifying 'Fit and Proper' persons, assessing competency of the persons and reviewing compensation levels of the Bank's employees vis-à-vis other banks and the banking industry in general.

The following are the criteria to assess competency of the persons nominated:

- academic qualifications,
- previous experience,
- track record; and
- integrity of the candidates.

For assessing the integrity and suitability, features like criminal records, financial position, civil actions undertaken to pursue personal debts, refusal of admission to and expulsion from professional bodies, sanctions applied by regulators or similar bodies and previous questionable business practices are considered.

The Bank's compensation policy provides a fair and consistent basis for motivating and rewarding employees appropriately according to their job profile / role size, performance, contribution, skill and competence.

The Committee also formulates criteria for evaluation of performance of individual directors including independent directors, the Board of Directors and its Committees. The criteria for evaluation of performance of directors (including independent directors) include personal attributes such as attendance at meetings, communication skills, leadership skills and adaptability and professional attributes such as understanding of the Bank's core business and strategic objectives, industry knowledge, independent judgment, adherence to the Bank's Code of Conduct, Ethics and Values, etc.

Mrs. Shyamala Gopinath, Mr. Partho Datta, Mr. Bobby Parikh and Mr. A. N. Roy are the members of the Committee. Mr. Bobby Parikh is the Chairman of the Committee.

All the members of the Committee are independent directors.

The Committee met ten (10) times during the year on April 5, 2016; April 21, 2016; May 13, 2016; May 18, 2016; July 20, 2016; August 9, 2016; September 9, 2016; October 25, 2016; January 23, 2017 and March 14, 2017.

Stakeholders' Relationship Committee:

The Stakeholders' Relationship Committee approves and monitors transfer, transmission, splitting and consolidation of shares and considers requests for dematerialization of shares. Allotment of shares to the employees on exercise of stock options granted under the various Employees Stock Option Schemes which are made in terms of the powers delegated by the Board in this regard, are placed before the Committee for ratification. The Committee also monitors redressal of grievances from shareholders relating to transfer of shares, non-receipt of Annual Report, dividends etc.

The Committee is comprised of Mr. A. N. Roy, Mrs. Renu Karnad, Mr. Aditya Puri and Mr. Paresh Sukthankar. The Committee is chaired by Mr. A. N. Roy, who is an independent director.

The powers to approve share transfers and dematerialization requests have been delegated to executives of the Bank to avoid delays that may arise due to non-availability of the members of the Committee. Mr. Sanjay Dongre, Executive Vice President (Legal) & the Company Secretary of the Bank is the Compliance Officer responsible for expediting the share transfer formalities.

As on March 31, 2017, one (1) instrument of transfer for 85 equity shares was pending for transfer and this has since been processed. The details of the transfers are reported to the Board from time to time. During the year ended March 31, 2017, 3087 complaints were received from the shareholders. The Bank had attended to all the complaints. 8 complaints remained pending and 4 complaints have not been solved to the satisfaction of the shareholders as on March 31, 2017. Besides, 6255 letters were received from the shareholders relating to change of address, nomination requests, email id and contact details updation, IFSC / MICR code updation, National Automated Clearing House (NACH) Mandates, claim of shares from Unclaimed Suspense account, queries relating to the annual reports, sub-division of shares of face value of ₹ 10/- each to ₹ 2/- each, amalgamation, request for re-validation of dividend warrants and other investor related matters. These letters have also been responded to.

The Committee met five (5) times during the year on April 22, 2016; July 20, 2016; October 24, 2016; January 24, 2017 and March 14, 2017.

Risk Policy and Monitoring Committee:

The Risk Policy and Monitoring Committee has been formed as per the guidelines of Reserve Bank of India on Asset Liability Management / Risk Management Systems. The Committee develops Bank's credit and market risk policies and procedures, verifies adherence to various risk parameters and prudential limits for treasury operations and reviews its risk monitoring system. The Committee also ensures that the Bank's credit exposure to any one group or industry does not exceed the internally set limits and that the risk is prudentially diversified.

The Committee consists of Mrs. Renu Karnad, Mrs. Shyamala Gopinath, Mr. Partho Datta, Mr. Aditya Puri and Mr. Paresh Sukthankar. The Committee is chaired by Mrs. Renu Karnad.

The Committee met five (5) times during the year on April 21, 2016; June 20, 2016; July 20, 2016; October 24, 2016 and January 16, 2017.

Credit Approval Committee:

The Credit Approval Committee approves credit exposures, which are beyond the powers delegated to executives of the Bank. This facilitates quick response to the needs of the customers and speedy disbursement of loans.

The Committee consists of Mr. Bobby Parikh, Mr. Keki Mistry, Mr. Aditya Puri and Mr. Kaizad Bharucha.

The Committee met twelve (12) times during the year on April 22, 2016; May 5, 2016; June 28, 2016; July 21, 2016; August 29, 2016; September 22, 2016; October 25, 2016; November 18, 2016; December 15, 2016; January 24, 2017, March 1, 2017 and March 14, 2017.

Premises Committee:

The Premises Committee approves purchases and leasing of premises for the use of Bank's branches, back offices, ATMs and residence of executives in accordance with the guidelines laid down by the Board.

The Committee consists of Mrs. Renu Karnad, Mr. Aditya Puri and Mr. Malay Patel.

The Committee met five (5) times during the year on April 22, 2016; July 20, 2016; October 24, 2016; January 24, 2017 and March 14, 2017.

Fraud Monitoring Committee:

Pursuant to the directions of the RBI, the Bank has constituted a Fraud Monitoring Committee, exclusively dedicated to the monitoring and following up of cases of fraud involving amounts of ₹ 1 crore and above.

The objectives of this 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. The terms of reference of the Committee are as under:

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

b. Identify the reasons for delay in detection, if any and report to top management of the Bank and RBI;

c. Monitor progress of Central Bureau of Investigation / Police Investigation and recovery position;

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

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

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

The members of the Committee are Mrs. Shyamala Gopinath, Mr. Partho Datta, Mr. A. N. Roy, Mr. Keki Mistry, Mr. Malay Patel and Mr. Aditya Puri.

The Committee met five (5) times during the year on April 21, 2016; July 20, 2016; September 9, 2016; October 24, 2016 and January 24, 2017.

Customer Service Committee:

The Customer Service Committee monitors the quality of services rendered to the customers and also ensures implementation of directives received from the RBI in this regard. The terms of reference of the Committee are to formulate comprehensive deposit policy incorporating the issues arising out of the demise of a depositor for operation of his account, the product approval process, annual survey of depositor satisfaction and the triennial audit of such services.

The members of the Committee are Mrs. Shyamala Gopinath, Mr. A. N. Roy, Mr. Keki Mistry, Mr. Malay Patel, Mr. Srikanth Nadhamuni and Mr. Aditya Puri. During the year, Mr. Srikanth Nadhamuni was appointed as a member of the Committee.

The Committee met four (4) times during the year on April 21, 2016; July 20, 2016; October 24, 2016 and January 24, 2017.

Corporate Social Responsibility Committee:

The Board has constituted a Corporate Social Responsibility (CSR) Committee with the following terms of reference:

- To formulate the Bank's CSR Strategy, Policy and Goals
- To monitor the Bank's CSR policy and performance
- To review the CSR projects / initiatives from time to time
- To ensure legal and regulatory compliance from a CSR viewpoint
- To ensure reporting and communication to stakeholders on the Bank's CSR

The members of the CSR Committee are Mrs. Renu Karnad, Mr. Partho Datta, Mr. Bobby Parikh, Mr. Aditya Puri, Mr. Umesh Chandra Sarangi and Mr. Paresh Sukthankar. During the year, Mr. Umesh Chandra Sarangi was appointed as a member of the Committee.

The Committee met four (4) times during the year on April 21, 2016; July 20, 2016; October 24, 2016; and January 16, 2017.

Review Committee for Wilful Defaulters' Identification:

The Board has constituted a Review Committee for Wilful Defaulters' Identification to review the orders passed by the Committee of Executives for Identification of Wilful Defaulters and provide the final decision with regard to identified Wilful defaulters. Mrs. Shyamala Gopinath, Mr. Aditya Puri, Mr. Bobby Parikh, Mr. Partho Datta and Mr. A. N. Roy are the members of the Committee. The Committee is chaired by Mrs. Shyamala Gopinath or Mr. Aditya Puri in her absence.

The Committee met thrice during the year on April 22, 2016; November 4, 2016 and March 30, 2017.

Review Committee for Non-Cooperative Borrowers:

The Board has constituted a Review Committee to review matters related to Non-Co-operative Borrowers which are handled by the Internal Committee of Executives appointed for this purpose. Mrs. Shyamala Gopinath, Mr. Aditya Puri, Mr. Bobby Parikh, Mr. Partho Datta and Mr. A. N. Roy are the members of the Committee. The Committee is chaired by Mrs. Shyamala Gopinath or Mr. Aditya Puri in her absence. No meetings of the Committee were held during the year.

IT Strategy Committee

The Bank has in place, an IT Strategy Committee to look into various technology related aspects. This Committee is not a Board level Committee. However, Mr. Srikanth Nadhamuni, Mr. Bobby Parikh, Mrs. Shyamala Gopinath and Mr. Paresh Sukthankar are members of the Committee along with other executives of the Bank and an external expert. The Committee is chaired by Mr. Srikanth Nadhamuni with effect from January 24, 2017. Prior to this, the Committee was chaired by Mr. Bobby Parikh.

The Committee met four times during the year on May 5, 2016; August 2, 2016; October 21, 2016 and January 16, 2017.

Meeting of the Independent Directors:

The Independent Directors of the Bank held a meeting on March 14, 2017 without the presence of the non independent Directors and Senior management team of the Bank. All the Independent Directors attended the meeting. The Independent Directors discussed matters as required under the relevant provisions of the Companies Act, 2013 and the SEBI Listing Regulations, 2015.

COMPOSITION OF COMMITTEES OF DIRECTORS AND ATTENDANCE AT THE COMMITTEE MEETINGS

Audit Committee

[Total eight meetings held]

Name	No. of meetings attended
Mrs. Shyamala Gopinath	8
Mr. Bobby Parikh	8
Mr. A. N. Roy	8
Mr. Partho Datta	8
Mr. Umesh Chandra Sarangi *	6

Customer Service Committee

[Total four meetings held]

Name	No. of meetings attended
Mrs. Shyamala Gopinath	4
Mr. Aditya Puri	4
Mr. A. N. Roy	4
Mr. Keki Mistry	4
Mr. Malay Patel	4
Mr. Srikanth Nadhamuni #	1

Credit Approval Committee

[Total twelve meetings held]

Name	No. of meetings attended
Mr. Bobby Parikh	12
Mr. Keki Mistry	12
Mr. Aditya Puri	4
Mr. Kaizad Bharucha	12

Nomination and Remuneration Committee

[Total ten meetings held]

Name	No. of meetings attended
Mrs. Shyamala Gopinath	10
Mr. Partho Datta	9
Mr. A. N. Roy	10
Mr. Bobby Parikh	10

Stakeholders' Relationship Committee

[Total five meetings held]

Name	No. of meetings attended
Mr. A. N. Roy	5
Mrs. Renu Karnad	5
Mr. Aditya Puri	5
Mr. Paresh Sukthankar	5

Premises Committee

[Total five meetings held]

Name	No. of meetings attended
Mrs. Renu Karnad	5
Mr. Malay Patel	5
Mr. Aditya Puri	5

COMPOSITION OF COMMITTEES OF DIRECTORS AND ATTENDANCE AT THE COMMITTEE MEETINGS (CONTD.)

Fraud Monitoring Committee
[Total five meetings held]

Name	No. of meetings attended
Mrs.Shyamala Gopinath	5
Mr. Aditya Puri	5
Mr. Partho Datta	5
Mr. A. N. Roy	5
Mr. Keki Mistry	5
Mr. Malay Patel	5

Corporate Social Responsibility Committee
[Total four meetings held]

Name	No. of meetings attended
Mrs. Renu Karnad	4
Mr. Partho Datta	4
Mr. Bobby Parikh	4
Mr. Aditya Puri	4
Mr. Paresh Sukthankar	4
Mr. Umesh Chandra Sarangi*	3

Risk Policy & Monitoring Committee
[Total five meetings held]

Name	No. of meetings attended
Mrs. Renu Karnad	4
Mrs. Shyamala Gopinath	5
Mr. Paresh Sukthankar	5
Mr. Partho Datta	4
Mr. Aditya Puri	5

Review Committee for Wilful Defaulters' Identification
[Total three meetings held]

Name	No. of meetings attended
Mrs. Shyamala Gopinath	3
Mr. Bobby Parikh	2
Mr. Partho Datta	3
Mr. A. N. Roy	3
Mr. Aditya Puri	0

**Mr. Umesh Chandra Sarangi was appointed as a member of the Committee with effect from June 28, 2016*
 # Mr. Srikanth Nadhamuni was appointed as a member of the Committee with effect from January 24, 2017.

OWNERSHIP RIGHTS

Certain rights that a shareholder in a company enjoys:

- To transfer the shares and receive the share certificates upon transfer within the period prescribed in the SEBI Listing Regulations.
- To receive notice of general meetings, annual report, the balance sheet and profit and loss account and the auditor's report. To attend and speak in person, at general meetings.
- To appoint proxy to attend and vote at the general meetings. In case the member is a body corporate, to appoint a representative to attend and vote at the general meetings of the company on its behalf.
- Proxy can vote on a poll. In case of vote on poll, the number of votes of a shareholder is proportionate to the number of equity shares held by him.
- In terms of Section 12 of the Banking Regulation Act, 1949 as amended with effect from January 18, 2013 vide the Banking Laws Amendment Act, 2012, 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 ten per cent of the total voting rights of all the shareholders of the banking company, provided that RBI may increase, in a phased manner, such ceiling on voting rights from ten percent to twenty-six per cent. The Master Direction - Ownership in Private Sector Banks, Directions, 2016 issued by RBI on May 12, 2016, states that the current level of ceiling on voting rights is at fifteen per cent.
- To requisition an extraordinary general meeting of the Bank by shareholders who collectively hold not less than 1/10th of the total paid-up capital of the company.
- To move amendments to resolutions proposed at general meetings.
- To receive dividend and other corporate benefits like rights, bonus shares etc. as and when declared / announced.
- To inspect various registers of the company, minute books of general meetings and to receive copies thereof after complying with the procedure prescribed in the Companies Act, 2013 as amended from time to time.
- To make nomination in respect of shares held by the shareholder.
- To participate in, and be sufficiently informed of the decisions concerning fundamental corporate changes.
- To be informed of the rules, including voting procedures that govern general shareholder meetings.
- To have adequate mechanism to address the grievances of the shareholders.

- To ensure protection of minority shareholders from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and effective means of redress.

The rights mentioned above are prescribed in the Companies Act, 2013, the SEBI Listing Regulations and Banking Regulation Act, 1949, wherever applicable, and should be followed only after careful reading of the relevant sections. These rights are not necessarily absolute.

GENERAL BODY MEETINGS

(Following are the details of general body meetings for the previous three financial years held at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400020 at 2.30 p. m.)

Sr. No.	Particulars of meeting	Date	Special Resolutions passed, if any
1	20th Annual General Meeting	June 25, 2014	Eight special resolutions passed
2	21st Annual General Meeting	July 21, 2015	Three special resolutions passed
3	22nd Annual General Meeting	July 21, 2016	Three special resolutions passed

POSTAL BALLOT

During the year, no resolutions were passed by means of postal ballot.

DISCLOSURES

Material Subsidiary

The Bank has 2 subsidiaries namely- HDB Financial Services Limited and HDFC Securities Limited, neither of which qualifies to be a material subsidiary within the meaning of the SEBI Listing Regulations. However, as a good corporate governance practice, the Bank has formulated a policy for determining material subsidiary. The policy is available on the Bank's website at http://www.hdfcbank.com/htdocs/common/pdf/Policy-for-determining-material-subsidiary.pdf

Related Party Transactions

During the year the Bank has entered into transactions with the related parties in the ordinary course of business. The Bank has not entered into any materially significant transactions with the related parties including promoters, directors, the management, subsidiaries or relatives of the Directors, which could lead to a potential conflict of interest between the Bank and these parties. Transactions with related parties were placed before the Audit Committee/Board for approval. There were no material transactions with related parties, which were not in the normal course of business, nor were there any material transactions, which were not at an arm's length basis. Details of related party transactions entered into during the year ended March 31, 2017 are given in Schedule 18, Note No. 28 forming part of 'Notes to Accounts'. The Bank has put in place a policy to deal with related party transactions and the same has been uploaded on the Bank's web-site at http://www.hdfcbank.com/htdocs/common/pdf/policy_for_dealing_with_related_party_transactions.pdf

Commodity Price Risks and Foreign Exchange Risks and hedging activities

Being in the banking business, the Bank does not deal in any "commodity". The Bank may, however, be exposed to the commodity price risks of its customers in its capacity as lender/ banker.

The Bank being an authorized dealer, deals in foreign exchange including Gold and derivative transactions with various counterparties, both interbank and customers, in accordance with the RBI guidelines. Thus, as part of foreign exchange trading, the Bank enters into foreign exchange contracts such as spot, outright forwards, forex swaps, currency options, long term forwards, currency and interest rate swaps and exchange traded products in specific currency pairs and interest rate securities. These contracts are managed in the trading portfolio within the forex trading risk limits viz. Net overnight open position limit, Intraday open position limit, Gap limits, Value-at-Risk limit, Stop Loss Trigger Level, Sensitivity limit and Option Greeks (viz. Delta / Gamma / Vega) stipulated as part of the Bank's Treasury Limits Package. In addition, Bank also enters into foreign exchange contracts to hedge the currency risk in the balance sheet on account of foreign currency deposits and loans, which are managed as hedge positions as per extant guidelines. Also, the Bank has initiated acceptance of gold through gold monetization scheme and any exposures arising are accordingly hedged through the normal course of business or forward transactions.

The foreign exchange spot, forward and swap contracts outstanding as on the Balance Sheet date, that are held for trading, are revalued at the closing spot and forward rates respectively as notified by FEDAI (Foreign Exchange Dealers' Assocation of India) and at interpolated rates for contracts of interim maturities. The USD-INR rate for valuation of contracts having longer maturities i.e. greater than one year is implied from MIFOR and LIBOR curves. For other currency pairs, where the rates / tenors are not published by FEDAI, the spot and forward points are obtained from Reuters for valuation of the foreign exchange deals. The forex profit or loss is arrived on present value basis thereafter, as directed by FEDAI, whereby the forward profits or losses on the deals, as computed above, are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognized in the Statement of Profit and Loss.

Currency future 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. The daily settlement price is computed on the basis of the last half an hour weighted average price of such contract, while, the final settlement price is taken as the RBI reference rate on the last trading day of the future contracts 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 settled daily with the exchange.

Foreign exchange forward contracts, outstanding on the balance sheet date, that are not intended for trading and are entered into to establish the amount of reporting currency required or available on the settlement date of a transaction, to meet a balance sheet transaction, 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.

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

Accounting Treatment

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') specified under section 133 of the Companies Act, 2013, in so far as they apply to banks and current practices prevailing within the banking industry in India.

There are no deviations from the statutory provisions.

Whistle Blower Policy/ Vigil Mechanism

The details of establishment of whistle blower policy / vigil mechanism are furnished in the Directors' Report. None of the Bank's personnel have been denied access to the Audit Committee.

Remuneration and Selection criteria for Directors

The relevant details are furnished in the Directors' Report.

Appointment / Resignation of Director

During the year, Mr Srikanth Nadhamuni was appointed as Additional Director with effect from September 20, 2016 to hold office till the conclusion of the ensuing Annual General Meeting of the Bank. Mr. Nadhamuni has been appointed as Director having expertise in Information Technology.

Familiarization of Independent Directors

The details of familiarization programmes imparted to Independent Directors are available on the website of the Bank at http://www.hdfcbank.com/aboutus/cg/Familiarization.htm

Strictures and Penalties

During the financial year 2016-17, further to the media reports in October 2015 about irregularities in advance import remittances in various banks, the Reserve Bank of India (RBI) had conducted a scrutiny of the transactions carried out by the Bank under Section 35(1A) of the Banking Regulation Act, 1949. The RBI issued a Show Cause Notice to which the Bank had submitted its detailed response. After considering the Bank's submission, the RBI imposed a penalty of ₹ 2.00 crore on the Bank vide its letter dated July 19, 2016 on account of pendency in receipt of bill of entry relating to advance import remittances made and lapses in adhering to KYC / AML guidelines in this respect. The penalty has since been paid. The Bank has implemented a comprehensive corrective action plan, to strengthen its internal control mechanisms so as to ensure that such incidents do not recur.

During the financial year 2015-16, there were no penalties imposed on the Bank.

During the financial year 2014-15, the RBI carried out a scrutiny of a corporate borrower's accounts maintained with 12 banks, including HDFC Bank. The RBI had issued show cause notices to these banks in March 2014 and based on its assessment, the RBI in its press release dated July 25, 2014, levied penalties totalling ₹ 1.5 crore on the 12 banks. The RBI levied a penalty of ₹ 0.05 crore on HDFC Bank on the grounds that the Bank 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'. The penalty has since been paid. During the year 2014-15, FIU had imposed a penalty of ₹ 26 lakhs in 26 cases reported by Cobrapost.com, stating that there was a failure in the Bank's internal mechanism for detecting and reporting attempted suspicious transactions. The Bank has filed an appeal before the Appellate Tribunal, Prevention of Money Laundering Act at New Delhi against the impugned order stating that there were only roving enquiries made by the reporters of Cobrapost.com and there were no instances of any attempted suspicious transactions. The hearing of the appeal is still in progress.

Other than the above, no penalties or strictures were imposed on the Bank by any of the Stock Exchanges or any statutory authority on any matter relating to capital markets, during the last three (3) years.

COMPLIANCE WITH MANDATORY REQUIREMENTS

The Bank has complied with all the applicable mandatory requirements of the Code of Corporate Governance as prescribed under the SEBI Listing Regulations.

PERFORMANCE EVALUATION

The Bank has put in place a mechanism for performance evaluation of the Directors. The details of the same have been included in the Directors' Report.

COMPLIANCE WITH NON-MANDATORY REQUIREMENTS

a) Board of Directors

The Bank maintains the expenses relating to the office of non-executive Chairperson of the Bank and reimburses all the expenses incurred in performance of her duties. Pursuant to Section 10-A (2)(a) of the Banking Regulation Act, 1949, none of the directors, other than the Chairman and/or whole-time directors, is permitted to hold office continuously for a period exceeding eight (8) years.

All the independent directors of the Bank possess requisite qualifications and experience which enable them to contribute effectively to the Bank.

b) Shareholder's Rights

The Bank publishes its results on its website at www.hdfcbank.com which is accessible to the public at large. The same are also available on the websites of the Stock Exchanges on which the Bank's shares are listed. A half-yearly declaration of financial performance including summary of the significant events is presently not being sent separately to each household of shareholders. The Bank's results for each quarter are published in an English newspaper having a wide circulation and in a Marathi newspaper having a wide circulation in Maharashtra. Hence, half-yearly results are not sent to the shareholders individually.

c) Audit Qualifications

During the period under review, there is no audit qualification in the Bank's financial statements. The Bank continues to adopt best practices to ensure regime of unqualified financial statements.

d) Separate posts of Chairman and Managing Director/ CEO

Mrs. Shyamala Gopinath is the Chairperson of the Bank and Mr. Aditya Puri is the Managing Director of the Bank.

e) Reporting of Internal Auditor

The Internal Auditor of the Bank reports directly to the Audit Committee of the Bank.

SHAREHOLDERS HOLDING MORE THAN 1 % OF THE SHARE CAPITAL OF THE BANK AS AT MARCH 31, 2017

Sr No.	Name of the Shareholder	No. of Shares held	% to share capital
1	JP Morgan Chase Bank, NA *	473003409	18.46
2	Housing Development Finance Corporation Limited	393211100	15.35
3	HDFC Investments Limited	150000000	5.85
4	Euro Pacific Growth Fund	100311759	3.92
5	Life Insurance Corporation of India	55457815	2.16
6	Capital World Growth and Income Fund	37636610	1.47
7	ICICI Prudential Life Insurance Company Ltd	35864792	1.40
8	SBI- ETF Nifty 50	30660186	1.20
9	Government of Singapore	30115330	1.18
10	ICICI Prudential Value Discovery Fund	29700967	1.16

* One (1) American Depository Share (ADS) represents three (3) underlying equity shares of the Bank.

DISTRIBUTION OF SHAREHOLDING AS AT MARCH 31, 2017

Share Range From	Share Range To	No. of Shares	% To Capital	No. of Holders	% To No. Of Holders
1	2500	100449292	3.92	470576	97.63
2501	5000	18736810	0.73	5209	1.08
5001	10000	17021177	0.67	2389	0.50
10001	15000	9966885	0.39	797	0.17
15001	20000	7784620	0.31	447	0.09
20001	25000	7519043	0.29	330	0.07
25001	50000	25758536	1.00	730	0.15
50001	100000	33366177	1.30	472	0.10
100001	and above	2341943177	91.39	1033	0.21
TOTAL		**2562545717**	**100.00**	**481983**	**100.00**

420,902 Folios comprising of 254,58,43,477 equity shares forming 99.35 % of the share capital are in Demat Form.
61,081 Folios comprising of 1,67,02,240 equity shares forming 0.65 % of the share capital are in physical form.

SHARE PRICE / CHART

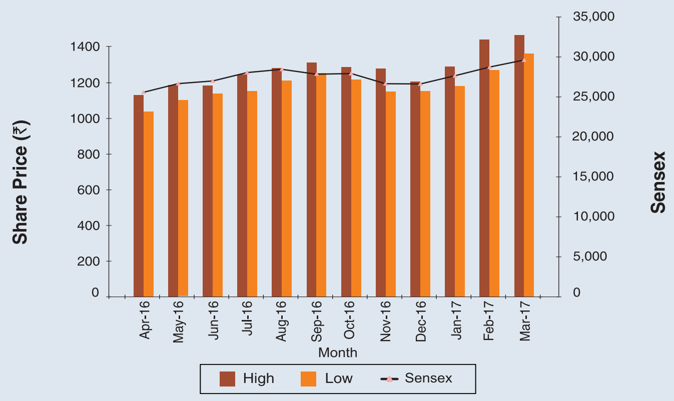
The monthly high and low quotation of Bank's equity shares traded on BSE Ltd (BSE) and National Stock Exchange of India Ltd (NSE) during FY 2016-17 and its performance vis-à-vis BSE SENSEX and S&P CNX NIFTY respectively is as under:

BSE Limited

Month	High (₹)	Low (₹)	Sensex Closing
April 2016	1136.00	1043.00	25606.62
May 2016	1194.80	1110.05	26667.96
June 2016	1192.30	1144.25	26999.72
July 2016	1250.00	1161.00	28051.86
August 2016	1294.70	1215.95	28452.17
September 2016	1318.20	1265.50	27865.96
October 2016	1299.90	1225.00	27930.21
November 2016	1288.00	1159.30	26652.81
December 2016	1210.15	1165.00	26626.46
January 2017	1300.00	1181.75	27655.96
February 2017	1450.00	1280.55	28743.32
March 2017	1478.00	1369.25	29620.50

Source : www.bseindia.com

HDFC Bank's Share Price on BSE

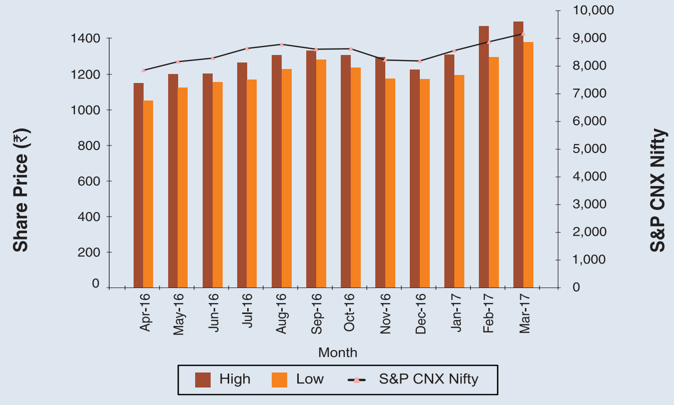


National Stock Exchange of India Limited

Month	High (₹)	Low (₹)	Nifty Closing
April 2016	1136.70	1042.85	7849.80
May 2016	1195.00	1113.15	8160.10
June 2016	1191.85	1144.25	8287.75
July 2016	1251.25	1160.90	8638.50
August 2016	1295.00	1213.80	8786.20
September 2016	1318.45	1265.40	8611.15
October 2016	1300.05	1224.15	8625.70
November 2016	1289.00	1158.00	8224.50
December 2016	1212.00	1163.60	8185.80
January 2017	1300.00	1183.10	8561.30
February 2017	1454.00	1280.50	8879.60
March 2017	1479.95	1369.00	9173.75

Source : www.nseindia.com

HDFC Bank's Share Price on NSE



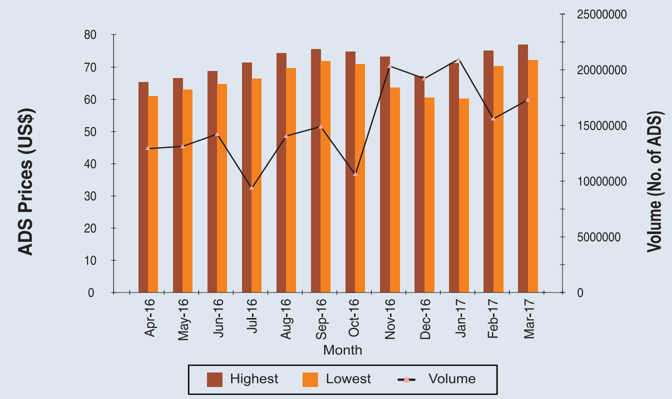
The monthly high and low quotation and the volume of Bank's American Depository Shares (ADS) traded on New York Stock Exchange (NYSE) during FY 2016-17

New York Stock Exchange Limited

Month	Highest (US$)	Lowest (US$)	Monthly Volume
April 2016	64.00	59.80	12972200
May 2016	65.00	61.67	13123218
June 2016	67.14	63.33	14217339
July 2016	69.99	65.12	9409748
August 2016	72.50	68.12	14046411
September 2016	74.04	70.37	14884299
October 2016	73.52	69.45	10635478
November 2016	71.60	62.21	20325287
December 2016	65.63	59.10	19204381
January 2017	69.79	59.00	20953151
February 2017	73.32	68.89	15618873
March 2017	75.35	70.74	17303079

Source : www.nyse.com

HDFC Bank's ADS Price on NYSE



Note: Other than the stock options granted to the employees of the Bank which will result in an addition to the equity capital of the Bank on the exercise of the stock options and subsequent allotment of equity shares, the Bank has no outstanding warrants or other convertible instruments as on March 31, 2017 which could have an impact on the equity capital of the Bank.

CATEGORIES OF SHAREHOLDERS AS AT MARCH 31, 2017	No of shares	% to capital
Promoters (*)	543216100	21.20
ADS and GDRs (#)	473003409	18.46
Foreign Institutional Investors	880336915	34.35
Overseas Corporate Bodies, Foreign Bodies, Foreign National and Non Resident Indians	6142576	0.24
Financial Institutions, Banks, Mutual Funds and Central Government	211277195	8.24
Life Insurance Corporation and its subsidiaries	55457815	2.16
Other Insurance Corporations	6053225	0.24
Indian Companies	165979095	6.48
Others	221079387	8.63
TOTAL	**2562545717**	**100.00**

(*) None of the equity shares held by the Promoter Group are under pledge.

(#) JP Morgan Chase Bank is the Depository for both the ADS (461557764 underlying equity shares) & GDRs (11445645 underlying equity shares).

GLOBAL DEPOSITORY RECEIPTS ("GDRs")*

The monthly high and low quotation of the Bank's GDRs traded on Luxembourg Stock Exchange are as under: **(in US$)**

Month	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
High	8.535	8.871	8.829	9.330	9.639	9.852	9.698	9.543	8.895	9.534	10.550	11.285
Low	7.938	8.408	8.525	8.668	9.165	9.516	9.264	8.491	8.631	8.703	9.660	10.305

* 2 GDRs represent one underlying equity share of the Bank

MONTHLY VOLUMES OF THE BANK'S SHARES TRADED ON NSE AND BSE

Month	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
BSE	1773754	1531540	2733826	2558930	2370643	2133759	1415832	3089054	1871409	8111762	7210020	7633392
NSE	24789397	27442206	29475908	29118968	29235419	26015242	19911162	38038267	23477472	32853352	132053238	36215227

FINANCIAL CALENDAR

[April 1, 2017 to March 31, 2018]

Board Meeting for Consideration of accounts	April 21, 2017
Dispatch of Annual Reports	June 24, 2017 to June 29, 2017
Record date for purpose of determining eligibility of dividend	Electronic and physical: June 30, 2017
Last date for receipt of proxy forms	July 22, 2017
Date, Time and Venue of 23rd AGM	July 24, 2017 at 2:30 p. m. Birla Matushri Sabhagar, 19, New Marine lines, Mumbai - 400020
Dividend Declaration Date	July 25, 2017
Probable date of payment of dividend	Electronic: July 26, 2017 onwards Physical: July 27, 2017 onwards
Board Meeting for considering unaudited results for first three quarters of FY 2017-18	Within 25 days from the end of each quarter

CODE OF CONDUCT

The Bank has framed and adopted a Code of Conduct, which is approved by the Board. The Code is applicable to all directors and senior management personnel of the Bank. This Code has been posted on the Bank's website www.hdfcbank.com. All the Directors and senior management personnel have affirmed compliance with the Code of Conduct / Ethics as approved and adopted by the Board.

LISTING

Listing on Indian Stock Exchanges :

The equity shares of the Bank are listed at the following Stock Exchanges and the annual fees for 2017-18 have been paid :

Sr. No.	NAME AND ADDRESS OF THE STOCK EXCHANGE	STOCK CODE
1.	BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 023.	500180
2.	The National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Bandra Kurla Complex, Mumbai 400 051.	HDFCBANK

Names of Depositories in India for dematerialization of equity shares (ISIN No. INE040A01026)

- National Securities Depository Limited (NSDL)
- Central Depository Services (India) Limited (CDSL)

International Listing :

Sr. No.	Security description	Name & Address of the International Stock Exchange	Name & Address of Depository
1	The American Depository Shares (ADS) (CUSIP No. 40415F101)	The New York Stock Exchange (Ticker - HDB) 11, Wall Street, New York, N.Y. 10005	J P Morgan Chase Bank, N.A. 4, New York Plaza, 12th Floor, New York, NY 10004
2	Global Depository Receipts (GDRs) (ISIN/ Trading Code : US40415F2002)	Luxembourg Stock Exchange **Postal Address :** Societe De La Bourse De Luxembourg Societe Anonyme, 35A Boulevard Joseph II L-1840 Luxembourg. **Mailing Address :** B.P. 165, L - 2011, Luxembourg	J P Morgan Chase Bank, N.A. 4, New York Plaza, 12th Floor, New York, NY 10004

The Depository for ADS and GDRs is represented in India by: J. P. Morgan Chase Bank N.A., India Sub Custody, J P Morgan Chase Bank NA, 6th Floor, Paradigm "B" Wing, Behind Toyota Showroom, Mindspace, Malad (West), Mumbai - 400 064.

SHARE TRANSFER PROCESS

The Bank's shares which are in compulsory dematerialized (demat) list are transferable through the depository system. Shares in physical form are processed by the Registrars and Share Transfer Agents, Datamatics Financial Services Limited and approved by the Stakeholders' Relationship Committee of the Bank or authorized officials of the Bank. The share transfers are generally processed within a period of fifteen (15) days from the date of receipt of the transfer documents by Datamatics Financial Services Limited.

MEANS OF COMMUNICATION

The quarterly and half-yearly unaudited / audited financial results are published in Business Standard in English and Mumbai Sakal / Navshakti in Marathi (regional language). The results are also displayed on the Bank's web-site at www.hdfcbank.com.

The shareholders can visit the Bank's web-site for financial information, shareholding information, dividend policy, key shareholders' agreements, if any, Memorandum and Articles of Association of the Bank, etc. The web-site also gives a link to www.sec.gov where the investors can view statutory filings of the Bank with the Securities and Exchange Commission, USA.

The information relating to the Bank's financial results and shareholding pattern are displayed on the websites of the Stock Exchanges on which the Bank's shares are listed.

Other information such as press releases, stock exchange disclosures and presentations made to investors and analysts etc. are regularly displayed on the Bank's web-site.

CODE FOR PREVENTION OF INSIDER TRADING

The Bank has adopted a share dealing code for the prevention of insider trading in the shares of the Bank as well as in other listed companies. The share dealing code, inter-alia, prohibits purchase / sale of shares of the Bank by insiders while in possession of unpublished price sensitive information in relation to the Bank.

DEBENTURE TRUSTEES

The SEBI Listing Regulations require companies, which have listed their debt securities, to disclose the names of their debenture trustees with contact details in their Annual Report. The following are the debenture trustees for the privately placed bonds of the Bank:

1. **IDBI Trusteeship Services Ltd**, Asian Building, Ground Floor, 17 R Kamani Marg, Ballard Estate, Mumbai 400001. Tel : 022-40807000
2. **Axis Trustee Services Limited**, Axis House, Ground Floor, Wadia International Centre, Pandurang Budhkar Marg, Worli Mumbai 400025. Tel : 022-62260054/50

3. **Vistra ITCL (India) Limited** (Formerly known as IL&FS Trust Company Limited), The IL&FS Financial Centre, Plot C-22/G Block, 7th Floor, Bandra Kurla Complex, Bandra (East) Mumbai 400051. Tel : 022-26593535

SHAREHOLDERS' HELPDESK

Share transfers, dividend payments and all other investor related activities are attended to and processed at the office of Registrars and Transfer Agents.

For lodgment of transfer deeds and any other documents or for any grievances / complaints, shareholders / investors may contact at the following address:

Mr. Sunny Abraham / Ms. Manisha Parkar / Mr. Tukaram Thore

Datamatics Financial Services Ltd,
Plot No. B 5, Part B Crosslane,
MIDC, Marol, Andheri (East),
Mumbai 400 093,

Tel : +91-022 - 66712213-14
Fax : +91-022 - 66712011;
E-mail : hdinvestors@dfssl.com

Counter Timings : 10:00 a. m. to 4:30 p. m.
(Monday to Friday except public holidays)

For the convenience of investors, transfers up to 500 shares and complaints from investors are accepted at the Bank's Office at 2nd Floor, Trade House, Senapati Bapat Marg, Kamala Mills Compound, Lower Parel (West), Mumbai 400 013.

Shareholders' Helpdesk Timings : 10:30 a. m . to 3.30 p. m.

Between Monday to Friday (except on Bank holidays)

Telephone : +91-022-2498 8484 Extn : 3458, 3463 & 3621

Fax : +91-022-2496 5235

Email : shareholder.grievances@hdfcbank.com

Queries relating to the Bank's operational and financial performance may be addressed to:

shareholder.grievances@hdfcbank.com

Name of the Compliance Officer of the Bank: Mr. Sanjay Dongre, Executive Vice President (Legal) & Company Secretary

Telephone : +91-022-2498 8484 Extn : 3473

BANKING CUSTOMER HELPDESK

In the event of any queries / complaints, banking customers can directly approach the Branch Manager or can call/write to the Bank using the following contact details:

Call at: Our customer care (Phone Banking) numbers.

Location wise list of customer care numbers are available at:

http://www.hdfcbank.com/personal/find-your-nearest/find-phone-banking

Write to:

HDFC Bank Ltd., New Building,
"A" Wing, 2nd Floor,
26-A Narayan Property,
Chandivali Farm Road,
Off Saki Vihar Road, Chandivali,
Andheri (East), Mumbai - 400 072.
Email : support@hdfcbank.com

Contact us online:

Fill up the "Complaint Form" available at the following website link:

https://leads.hdfcbank.com/applications/webforms/apply/complaint_form_new.asp

For grievances other than Shareholder grievances please send your communication to the following email addresses:

1) **Depository Services: dphelp@hdfcbank.com**
2) **Retail Banking / ATM / Debit Cards / Mutual Fund: support@hdfcbank.com**
3) **Loans, Advances / Advance against shares: loansupport@hdfcbank.com**
4) **Credit Cards : customerservices.cards@hdfcbank.com**

PLANT LOCATIONS

Being in the banking business, the Bank does not have plants. However, the Bank has 4,715 branches in 2,657 cities / towns as on March 31, 2017. The locations of the branches are also displayed on the Bank's website.

COMPLIANCE CERTIFICATE OF THE AUDITORS

The Secretarial Auditors have certified that the Bank has complied with the conditions of Corporate Governance as stipulated in the listing requirements of the Indian Stock Exchanges where the Bank's securities are listed. The same is annexed to the Annual Report.

The Certificate from the Secretarial Auditors will be sent to the Stock Exchanges along with the Annual Report of the Bank.

On behalf of the Board of Directors

Shyamala Gopinath
Chairperson

Mumbai, May 29, 2017

DECLARATION

I confirm that for the year under review, all directors and senior management have affirmed their adherence to the provisions of the Code of Conduct of Directors and senior management personnel.

Aditya Puri
Managing Director

Mumbai, May 29, 2017

A) DIVIDENDS:

Receipt of Dividends through Electronic mode:

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 have directed that listed companies shall mandatorily make all payments to investors including dividend to shareholders, by using any RBI approved electronic mode of payment viz. ECS, LECS (Local ECS), RECS (Regional ECS), NECS (National ECS), direct credit, RTGS, NEFT, etc.

In order to receive the dividend without loss of time, all the eligible shareholders holding shares in demat mode are requested to update with their respective Depository Participants before June 30, 2017, their correct Bank Account Number, including 9 Digit MICR Code and 11 digit IFSC Code, E-Mail ID and Mobile No(s). This will facilitate the remittance of the dividend amount as directed by SEBI in the Bank Account electronically. Updation of E-Mail IDs and Mobile No(s) will enable sending communication relating to credit of dividend, unencashed dividend etc.

Shareholders holding shares in physical form may communicate details relating to their bank account, 9 Digit MICR Code, 11 digit IFSC Code, E- Mail ID and Mobile No(s) to the Registrar and Share Transfer Agents viz. Datamatics Financial Services Limited, having address at Plot No. B 5, Part B Crosslane, MIDC, Marol, Andheri (E), Mumbai-400 093, before June 30, 2017 by quoting the reference folio number and attaching a photocopy of the Cheque leaf of their active bank account and a self-attested copy of their PAN card and Aadhaar card.

Various modes for making payment of Dividends under Electronic mode:

In case the shareholder has updated the complete and correct bank account details (including 9 digit MICR Code and 11 digit IFSC code) before the record date, i.e. June 30, 2017, which is fixed for the purpose of payment of dividend, then the Bank shall make the payment of dividend to such shareholder under any one of the following modes:

1. National Automated Clearing House (NACH)
2. National Electronic Fund Transfer (NEFT)
3. Direct credit in case the bank account is with HDFC Bank Limited.

In case dividend payment by electronic mode is returned or rejected by the corresponding bank due to some reason, the Bank will issue a dividend warrant and print the bank account details available on its records on the said dividend warrant to avoid fraudulent encashment of the warrants.

Unclaimed Dividends

As per the applicable provisions of the Companies Act, the Bank is statutorily required to transfer to the Investor Education & Protection Fund (IEPF) all dividends remaining unclaimed for a period of 7 (seven) years from the date they became due for payment. Dividends for and up to the financial year ended March 31, 2009 have already been transferred to the IEPF and the dividend for the financial year ended March 31, 2010 will be transferred to IEPF after June 29, 2017. The details of unclaimed dividends for the financial year 2010-11 onwards and the last date for claiming such dividends are given below:

Dividend for the year ended	Date of Declaration of dividend	Last date for claiming dividend
March 31, 2010	June 30, 2010	June 29, 2017
March 31, 2011	July 6, 2011	July 5, 2018
March 31, 2012	July 13, 2012	July 12, 2019
March 31, 2013	June 27, 2013	June 26, 2020
March 31, 2014	June 25, 2014	June 24, 2021
March 31, 2015	July 21, 2015	July 20, 2022
March 31, 2016	July 21, 2016	July 20, 2023

B) SHARES LYING IN UNCLAIMED SUSPENSE ACCOUNT

Particulars	Records / No of shareholders	Shares
Opening Balance as on April 1, 2016	13075	2188145
Add: Transfer during the year 2016-17	0	0
Less: Claims received and shares transferred*	214	71680
Closing Balance as on March 31, 2017**	**12861**	**2116465**

*Number of shareholders who approached the Bank for the transfer of shares from the suspense account.
** Voting rights on these shares shall remain frozen till the rightful owners of such shares claim these shares.

HDFC BANK
We understand your world