Annexure 4A

HDFC BANK
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HDFC Bank Limited
Zenith House,
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Mahalaxmi, Mumbai - 400034.
Tel.: 022-39760001 / 0012

REPORT OF THE AUDIT COMMITTEE OF HDFC BANK LIMITED ("AUDIT COMMITTEE") RECOMMENDING THE DRAFT COMPOSITE SCHEME OF AMALGAMATION BETWEEN HDFC HOLDINGS LIMITED ("HDFC HOLDINGS"), HDFC INVESTMENTS LIMITED ("HDFC INVESTMENTS"), HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED ("HDFC LIMITED"), HDFC BANK LIMITED ("BANK" OR "HDFC BANK") AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS FOR THE AMALGAMATION OF: (A) HDFC HOLDINGS AND HDFC INVESTMENTS WITH HDFC LIMITED; AND (B) HDFC LIMITED WITH HDFC BANK AT ITS MEETING HELD ON APRIL 04, 2022 AT HDFC HOUSE, H. T. PAREKH MARG, 165-166, BACKBAY RECLAMATION, CHURCHGATE, MUMBAI – 400020 .

Present Members:

Mr. M.D. Ranganath	: Chairperson
Mr. U.C. Sarangi	: Member
Mr. Sanjiv Sachar	: Member

In attendance:

Mr. Santosh Haldankar	: Company Secretary

Invitees:

Mr. Atanu Chakraborty	:	Chairman of the Board
Mr. Kaizad Bharucha	:	Executive Director
Mrs. Lily Vadera	:	Independent Director
Mr. Malay Patel	:	Independent Director
Mrs. Renu Karnad	:	Non-Executive Director (Recused)
Mr. Sandeep Parekh	:	Independent Director
Mr. Sashi Jagdishan	:	Managing Director & Chief Executive Officer
Dr. (Mrs.) Sunita Maheshwari	:	Independent Director
Mr. Srinivasan Vaidyanathan	:	Chief Financial Officer
Mr. Bimal Modi	:	Representative of Deloitte Touche Tohmatsu India LLP, Financial Diligence
Ms. Nandita Pai	:	Representative of Deloitte Touche Tohmatsu India LLP, Valuation
Mr. Harsh Ruparelia	:	Registered Valuer
Mr. Sachin Wagle	:	Representative of Morgan Stanley India Company Private Limited, Fairness Opinion on valuation
Mr. S. Sundareswaran	:	Representative of Morgan Stanley India Company Private Limited, Fairness Opinion on valuation

1. Background

1.1. A meeting of the Audit Committee of the Bank was held on April 04, 2022 at HDFC House, H. T.

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Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai – 400020, to consider and recommend to the Board of Directors of the Bank ("**Board**"), the composite scheme of amalgamation amongst HDFC Investments, HDFC Holdings , HDFC Limited and HDFC Bank, and their respective shareholders and creditors for the proposed amalgamation of: (a) HDFC Investments and HDFC Holdings with and into HDFC Limited; and (b) HDFC Limited with and into HDFC Bank ("**Scheme**"), with their respective shareholders and creditors, under sections 230 to 232 of the Companies Act, 2013 ("**Act**") and other applicable provisions of law subject to receipt of necessary approvals including from the Reserve Bank of India ("**RBI**"), stock exchanges, the Securities and Exchange Board of India, Insurance Regulatory and Development Authority of India, Competition Commission of India, National Company Law Tribunal, any other authorities or persons as may be required under applicable law ("**Proposed Transaction**").

1.2. The appointed date for the proposed amalgamation of HDFC Limited with the Bank, shall be the effective date of the Scheme. Further, the appointed date for the proposed amalgamation of HDFC Investments and HDFC Holdings with HDFC Limited, shall mean the end of the day immediately preceding the effective date of the Scheme.

1.3. This report of the Audit Committee is made in order to comply with the requirements of Para 2(c) of the '*Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under Subrule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957*'[1] dated November 23, 2021 issued by SEBI ("**SEBI Master Circular**") according to which the Scheme is required to be considered and recommended by the Audit Committee, taking into account *inter alia* the Valuation Report (*as defined hereinafter*).

1.4. HDFC Bank is licensed as a banking company under the provisions of the Banking Regulation Act, 1949. HDFC Limited is a public listed deposit taking housing finance company that has obtained certificate of registration from National Housing Board in this regard.

1.5. HDFC Investments and HDFC Holdings are engaged in the business of making investments in equity shares, preference shares, venture funds, mutual funds and other securities.

1.6. The Audit Committee has discussed and has made this report after perusing the following documents in detail:

(a) the draft Scheme;

(b) the draft implementation agreement proposed to be entered into by and between HDFC Limited and HDFC Bank;

(c) legal due diligence report prepared by Wadia Ghandy & Co., and financial due diligence report prepared by Deloitte Touche Tohmatsu India LLP;

(d) the valuation report dated April 04, 2022 submitted by Deloitte Touche Tohmatsu India LLP

[1] SEBI Circular No. - SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665

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and Mr. Harsh Ruparelia (Registered Valuer), independent Chartered Accountants ("**Valuation Report**") and the summary thereof;

(e) fairness opinion dated April 04, 2022 issued by Morgan Stanley India Company Private Limited, a SEBI registered merchant banker appointed by HDFC Limited ("**Fairness Opinion**");

(f) certificate issued by MSKA & Associates and MM Nissim & Co. LLP, Chartered Accountants, the statutory auditors of HDFC Bank, pursuant to paragraph A.5 of Part I of the '*Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957* [2] dated November 23, 2021 issued by Securities and Exchange Board of India ("**SEBI Master Circular**");

(g) draft of the Detailed Compliance Report to be filed with the stock exchange(s); and

(h) Presentations made by the Managing Director & Chief Executive Officer and Chief Financial Officer before the Audit Committee.

2. Salient Features of the proposed Scheme

2.1. The Audit Committee noted the brief particulars of the draft Scheme as under:

2.1.1. The Scheme provides for the amalgamation of (a) HDFC Investments and HDFC Holdings with HDFC Limited; and (b) HDFC Limited with HDFC Bank and dissolution of HDFC Holdings, HDFC Investments and HDFC Limited without winding up.

2.1.2. Sections 230 to 232 of the Companies Act, 2013, SEBI Master Circular, the relevant RBI regulations and such other regulations as applicable from time to time, shall govern the Scheme.

2.1.3. The appointed date for the proposed amalgamation of HDFC Investments and HDFC Holdings with HDFC Limited, shall mean the end of the day immediately preceding the effective date of the Scheme ("**Appointed Date 1**"). The appointed date for the proposed amalgamation of HDFC Limited with HDFC Bank, shall be the same as the effective date of the Scheme ("**Appointed Date 2**").

2.1.4. Amalgamation of the (i) HDFC Investments and HDFC Holdings with HDFC Limited; and (ii) HDFC Limited with HDFC Bank shall be in accordance with section 2(1B) of the Income-tax Act, 1961.

2.1.5. Upon coming into effect of the Scheme and in consideration of the proposed transaction of:

[2] SEBI Circular No. - SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665

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2.1.5.1. HDFC Investments and HDFC Holdings with HDFC Limited-: no consideration shall be payable, and the securities held by HDFC Limited and its nominees in HDFC Holdings Limited and HDFC Investments Limited, respectively, shall stand cancelled without any further act, application or deed; and

2.1.5.2. HDFC Limited with HDFC Bank-: HDFC Bank shall, without any further application, act or deed, issue and allot to the shareholders of HDFC Limited whose names are recorded in the register of members as a member of HDFC Limited on the record date (or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognised by the Board of HDFC Bank), such number of shares as determined by the valuer in the valuation report and approved by the Board.

2.1.6. With effect from Appointed Date 1 and upon the Part C of the proposed Scheme becoming effective, HDFC Investments and HDFC Holdings along with all their assets, liabilities, contracts, employees, licenses, records, approvals etc. being integral parts of HDFC Investments and HDFC Holdings respectively shall stand transferred to and vest in or shall be deemed to have been transferred to and vested in HDFC Limited, as a going concern, without any further act, instrument or deed, together with all its properties, assets, liabilities, rights, benefits and interest therein, subject to the provisions of the Scheme, in accordance with Sections 230 - 232 of the Companies Act, 2013, the Income-tax Act, 1961 and applicable provisions, if any.

2.1.7. HDFC Limited shall, upon the Scheme becoming effective and with effect from Appointed Date 1, record the assets and liabilities of HDFC Investments and HDFC Holdings (as appearing in the books of accounts of HDFC Investments and HDFC Holdings respectively, at the close of business on the day preceding the effective date of the Scheme) as vested in it pursuant to the Scheme, at the respective book values thereof.

2.1.8. With effect from Appointed Date 2 and upon the Part D of the proposed Scheme becoming effective, HDFC Limited along with all their assets, liabilities, contracts, employees, licenses, records, approvals etc. being integral parts of HDFC Limited shall stand transferred to and vest in or shall be deemed to have been transferred to and vested in HDFC Bank, as a going concern, without any further act, instrument or deed, together with all its properties, assets, liabilities, rights, benefits and interest therein, subject to the provisions of the Scheme, in accordance with Sections 230 - 232 of the Companies Act, 2013, the Income-tax Act, 1961 and applicable provisions, if any.

2.1.9. HDFC Bank shall, upon the Scheme becoming effective and with effect from Appointed Date 2, record the assets and liabilities of HDFC Limited (as appearing in the books of accounts of HDFC Limited on the Appointed Date 2) as vested in it pursuant to the Scheme, at the respective book values thereof.

2.1.10. During the period between the approval of the Scheme by the respective Boards of HDFC Limited and HDFC Bank and up to the Effective Date as referred in the Scheme, the business

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of HDFC Limited and HDFC Bank shall be carried out with reasonable diligence and business prudence in the ordinary course consistent with past practice, in accordance with the applicable law and as mutually agreed between HDFC Limited and HDFC Bank.

2.1.11. The effectiveness of the Scheme is contingent upon certain conditions as mentioned in the Scheme including the receipt of the approval from the RBI and other applicable approvals.

3. Details of the Scheme

3.1. Basis the perusal and discussion on the Scheme, the Audit Committee noted the following:

A. Need for proposed amalgamation

(i) The Audit Committee noted the need for proposed amalgamation of HDFC Limited with HDFC Bank in light of the various synergies and value creation on account of multiple factors as outlined below and in the Scheme. Further, it was noted that merger by way of a Scheme approved by NCLT under provisions of the Companies Act, would be the most efficient mechanism for consolidation of the businesses as the entities would be result in being consolidated on a going concern basis;

(ii) Creating meaningful value for various stakeholders, including shareholders, customers, employees of HDFC Limited and HDFC Bank respectively, as the combined business would benefit from increased scale, comprehensive product offerings, balance sheet resiliency and the ability to drive synergies across revenue opportunities, operating and underwriting efficiencies, amongst others; and

(iii) At present, the business of HDFC Bank does not include housing loans, pursuant to the arrangement which it has with its promoter, HDFC Limited, except for staff loans. Housing finance market is ever expanding and in the HDFC Bank's view, the market for housing loans is currently at the stage of high growth, and it is necessary to be player in this market. Considering the same, by merging HDFC Limited with HDFC Bank, approximately 464 offices (of HDFC Limited) may be utilized for offering housing loans by HDFC Bank and further other product offerings of HDFC Bank. Further, 6342 branches of HDFC Bank will be able to market as well provide such housing loans directly to customers without any further interface and onward referrals. This will be significantly advantageous to HDFC Bank and will create huge value for the stakeholders.

B. Rationale for the Scheme

Apart from what has been stated in the aforesaid paragraph (Need for amalgamation), the Committee noted the rationale as follows:

(a) the Amalgamation, through the Scheme, shall enable the Amalgamated Company to build its housing loan portfolio and enhance its existing customer base;

(b) the Amalgamation is based on leveraging the significant complementarities that exist amongst the parties to the Scheme. The Amalgamation would create meaningful value for various stakeholders including respective shareholders, customers, employees, as the

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combined business would benefit from increased scale, comprehensive product offering, balance sheet resiliency and the ability to drive synergies across revenue opportunities, operating efficiencies and underwriting efficiencies, amongst others;

(c) the Amalgamated Company is a private sector bank and has a large base of over 6.8 Crore customers. The bank platform will provide a well-diversified low cost funding base for growing the long tenor loan book acquired by the Amalgamated Company pursuant to the Amalgamation;

(d) the Amalgamated Company is a banking company with a large distribution network that offers product offerings in the retail and wholesale segments. The Amalgamating Company is a premier housing finance company in India and provides housing loans to individuals as well as loans to corporates, undertakes lease rental discounting and construction finance apart from being a financial conglomerate. A combination of the Amalgamating Company and the Amalgamated Company is entirely complementary to, and enhances the value proposition of, the Amalgamated Company;

(e) the Amalgamated Company would benefit from a larger balance sheet and networth which would allow underwriting of larger ticket loans and also enable a greater flow of credit into the Indian economy;

(f) the Amalgamating Company has invested capital and developed skills and has set up approximately 464 (Four Hundred and Sixty Four) offices across the country. These offices can be used to sell the entire product suite of both the Amalgamating Company and the Amalgamated Company;

(g) the loan book of the Amalgamating Company is diversified having cumulatively financed over 90 lakh dwelling units. With the Amalgamating Company's leadership in the home loan arena, developed over the past 45 years, the Amalgamated Company would be able to provide to customers flexible mortgage offerings in a cost-effective and efficient manner;

(h) the Amalgamated Company has access to funds at lower costs due to its high level of current and savings accounts deposits (CASA). With the amalgamation of the Amalgamating Company with the Amalgamated Company, the Amalgamated Company will be able to offer more competitive housing products;

(i) the Amalgamating Company's rural housing network and affordable housing lending is likely to qualify for Amalgamated Company as priority sector lending and will also enable a higher flow of credit into priority sector lending, including agriculture;

(j) the Amalgamation will result in reducing the Amalgamated Company's proportion of exposure to unsecured loans;

(k) the Amalgamating Company has built technological capabilities to evaluate the credit worthiness of customers using analytical models, and has developed unique skills in financing various customer segments. The models have been tested and refined over the years at scale and the Amalgamated Company will benefit from such expertise in underwriting and financing of mortgage offerings;

(l) the Amalgamated Company can leverage on the loan management system, comprising rule engines, IT tools and rules, agents connected through a central system;

(m) the Amalgamation is expected to result in bolstering the capital base and bringing in resiliency in the balance sheet of the Amalgamated Company;

(n) the Transferor Companies are Systemically Important Non - Deposit Taking Non - Banking Financial Companies and are also wholly owned subsidiaries of the Amalgamating

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Company. The Amalgamation shall result in simplified corporate structure.

C. Synergies of business of HDFC Limited and HDFC Bank

(i) The proposed amalgamation as per the Scheme will enable HDFC Bank to build and strengthen its housing loan portfolio, and establish a strong customer base of affordable housing customers. HDFC Bank would benefit from the loan assets of HDFC Limited as the strong loan book of HDFC Limited will stand merged into HDFC Bank pursuant to the proposed amalgamation. The above will bring synergies as the business of housing loans will also come under a single platform and provide huge growth opportunities;

(ii) HDFC Bank and HDFC Limited have developed exceptional skills in banking business and housing finance business respectively. HDFC Limited has a wide range of home loan products with a specific rural focus. HDFC Bank received a banking license in January 1995 from the RBI. Its focus has been to meet the financial needs of people who are overlooked by the formal banking system. HDFC Limited therefore have significant complementarities and the consolidation of the businesses carried on by it is strategic in nature and will generate significant business synergies. The proposed amalgamation will result in enhancement of shareholders' value accruing from synergy of operations, new product development, integration of technology and information technology platforms, and also enable HDFC Limited and HDFC Bank to further their socio-economic objectives. Thus, a combination of the proposed amalgamation of will enhance the value propositions of the combined entity which would be able to leverage the complementarities of HDFC Bank and HDFC Limited; and

(iii) HDFC Limited has approximately 464 offices which are currently being used for housing loans. These offices can be converted into full-fledged branches of the Bank, micro branches and/or ATM centers. This will bring substantial cost benefit reduction because we will be repurposing the branch to be used for the banking facilities as well. Further the 6342 branches of the Bank will be able to market such housing loans on its own books.

D. Impact of the scheme on the shareholders

(i) Create value for stakeholders including respective shareholders, customers, lenders and employees as the combined business would benefit from increased scale, product diversification and expanded reach with increased ability to growth opportunities, higher cross selling opportunities to a larger base of customers, improvement in productivity and operational efficiencies amongst others;

(ii) Greater efficiency in cash management and unfettered access to cash flow generated by the combined business, which can be deployed more efficiently, to maximise shareholder value; and

(iii) 68 million customers of HDFC Bank will automatically get access to the products of HDFC Limited and 9 million customers of HDFC Limited will also get access to the products of the Bank, which will result in growth and scaling up of the business of the Bank and creating

a potential for increased revenues. The above will provide material realizable cost and revenue synergies for the benefit of HDFC Bank.

E. Cost benefit analysis of the scheme

(i) It may be noted in this regard that the aspect of the cost benefit analysis is usually relevant for manufacturing industries. However, in our case, from the perspective of the cost benefit analysis, the benefits could be actually seen in terms of reduction of cost in the long term. Currently, significant number of employees of HDFC Bank are only marketing and selling housing loans to retail customers. Post the merger, the said employees could also be used for selling not only other products of HDFC Bank, but also the products of HDFC Limited. Similarly, significant number of employees of HDFC Limited who are currently only dealing with limited number of products of HDFC Limited, would be available to market and sell products of HDFC bank as well and such employees would also not require much training considering that they would have the requisite expertise from their tenure in HDFC Limited. This would result in significant cost saving benefits on account of avoiding the need to provide training and expertise to the employees;

(ii) Pursuant to the proposed merger, the housing products will be brought within the umbrella of HDFC Bank. HDFC Bank has the benefit of CASA deposits (which is not available with HDFC Limited), which are cheaper funds for the purpose of borrowing. This will also help in being able to provide synergistic loans and link it to applicable market rates and not necessarily offer to borrower at higher rates which is normally done by the NBFCs and would also therefore bring about lower cost of borrowing and subsequent benefit to the customers; and

(iii) HDFC Bank has access to lenders who provide loans linked to repo rates to HDFC Bank, which may be less than what HDFC Limited is offering to its lenders and therefore in the future, there may be an opportunity of availing lower cost of borrowing, specifically for affordable housing products where there is a pool of funds available. In the past, HDFC Bank did not have access to any such funding because HDFC Bank did not offer affordable housing as a product on its own books. This will result in the optimal utilization of resources and economies of scale due to the improved efficiencies. Subsequently, the same is expected to enable HDFC Bank to establish a strong customer base of affordable housing and scale up rural lending.

4. Valuation Report and Fairness Opinion

4.1. The Audit Committee reviewed the:
(a) the Valuation Report along with the summary thereof and noted the method of valuation; and
(b) the Fairness Opinion.

4.2. The Audit Committee has also discussed and deliberated upon the aforesaid with the statutory auditors, registered valuers, and the merchant bankers, present in the meeting as invitees.

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5. Recommendation of the Audit Committee

5.1. Pursuant to the above, the Audit Committee has:
(a) confirmed the Valuation Report and the Fairness Opinion; and
(b) recommended to the Board that the Share Exchange Ratio is fair to the shareholders (including the minority shareholders) of HDFC Bank.

5.2. The Audit Committee having considered and noted, *inter-alia*, the Valuation Report and the Fairness Opinion, recommends the draft Scheme and draft Implementation Agreement to the to the Board, in its present form for favourable consideration by the Board, the RBI, Competition Commission of India, Stock Exchanges, National Company Law Tribunal, SEBI and such other regulatory authorities, as may be applicable.

5.3. In the opinion of the members of the Audit Committee present at the Meeting, draft Scheme and draft Implementation Agreement are in the best interest of all the stakeholders of HDFC Bank including shareholders, customers, lenders and employees and the Share Exchange Ratio as mentioned in the Valuation Report is fair and reasonable.

In order for the Bank to comply with the requirements of extant regulations applicable to the listed companies undertaking any scheme of amalgamation under the Act, this report of the Audit Committee may please be taken on record by the Board while considering the Scheme for approval and further authorisations.

For and on behalf of the Audit Committee of HDFC Bank Limited

Name: Mr. M.D. Ranganath
Designation: Chairman - Audit Committee
Date: April 04, 2022
Place: Mumbai

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Annexure 4B

REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE OF BOARD OF DIRECTORS OF HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED ("CORPORATION") RECOMMENDING THE DRAFT COMPOSITE SCHEME OF AMALGAMATION BETWEEN HDFC INVESTMENTS LIMITED ("HDFC INVESTMENTS"), HDFC HOLDINGS LIMITED ("HDFC HOLDINGS"), THE CORPORATION, HDFC BANK LIMITED ("BANK" OR "HDFC BANK") AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS FOR THE AMALGAMATION OF: (A) HDFC INVESTMENTS AND HDFC HOLDINGS WITH AND INTO THE CORPORATION; AND (B) THE CORPORATION WITH AND INTO THE BANK AT ITS MEETING HELD ON MONDAY, APRIL 4, 2022

Present Members:

1. Mr. Jalaj Dani
2. Ms. Ireena Vittal
3. Dr. Bhaskar Ghosh
4. Mr. Rajesh Gupta

1. Background

1.1. A meeting of the Audit and Governance Committee of Board of Directors of the Corporation was held on **Monday, April 4, 2022** , to consider and recommend to the Board of Directors of the Corporation ("**Board**"), the composite scheme of amalgamation between the HDFC Investments, HDFC Holdings, the Corporation, the Bank, and their respective shareholders and creditors for the amalgamation of: (a) HDFC Investments and HDFC Holdings with and into the Corporation; and (b) the Corporation with and into the Bank ("**Scheme**") under sections 230 to 232 of the Companies Act, 2013 ("**Act**") and other applicable provisions of law subject to the receipt of necessary approvals including from the Reserve Bank of India ("**RBI**"), Securities and Exchange Board of India ("**SEBI**"), the Competition Commission of India, the National Housing Bank ("**NHB**"), the Insurance Regulatory and Development Authority of India ("**IRDAI**"), the Pension Fund Regulatory and Development Authority ("**PFRDA**"), the National Company Law Tribunal, BSE Limited, the National Stock Exchange of India Limited (collectively, the "**Stock Exchanges**") and other statutory and regulatory authorities, and the respective shareholders and creditors.

1.2. The appointed date for the proposed amalgamation of HDFC Holdings and HDFC Investments with the Corporation, shall mean the end of the day immediately preceding the effectiveness of the Scheme. The appointed date for the proposed amalgamation of the Corporation with and into the Bank, shall be the same as the

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AJAY AGARWAL
COMPANY SECRETARY

Effective Date (*as defined in the Scheme*).

1.3. This report of the Audit and Governance Committee is made in order to comply with the requirements of Para 2(c) of the Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957 dated November 23, 2021 issued by SEBI ("**SEBI Master Circular**") according to which the Scheme is required to be considered and recommended by the Audit Committee to the Board, taking into account *inter alia* the Valuation Report (*as defined hereinafter*).

1.4. The Corporation is a deposit taking housing finance company registered with the NHB and its shares are listed on the Stock Exchanges.

1.5. HDFC Investments and HDFC Holdings are non-deposit accepting non-banking financial companies, registered with RBI, engaged in the business of making investments in equity shares, preference shares, debentures and other securities.

1.6. The Bank is licensed as a banking company with the RBI in terms of the Banking Regulation Act, 1949 and its shares are listed on the Stock Exchanges.

1.7. The Audit and Governance Committee has discussed and made this report after perusing the following documents:

(a) the draft Scheme;

(b) the draft implementation agreement proposed to be entered into by and between the Corporation and the Bank;

(c) the (i) legal due diligence report prepared by AZB & Partners, (ii) financial due diligence report prepared by Bansi S. Mehta & Co., Chartered Accountants, and (iii) tax due diligence report prepared by Bansi S. Mehta & Co., Chartered Accountants;

(d) the valuation report dated April 4, 2022 submitted by Bansi S. Mehta & Co., Chartered Accountants and Ms. Drushti Desai, Registered Valuer ("**Valuation Report**") along with the summary thereof;

(e) fairness opinion dated April 4, 2022 issued by BofA Securities India Limited, a SEBI registered merchant banker appointed by the Corporation ("**Fairness Opinion**");

(f) draft certificate by Messrs S. R. Batliboi & Co. LLP and Messrs G. M. Kapadia & Co., chartered accountants, joint statutory auditors of the Corporation, pursuant to paragraph A(5)(a) of Part I of the SEBI Master Circular; and

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(g) other presentations, reports, documents and information made to/ furnished before the Audit and Governance Committee.

2. Salient Features of the proposed Scheme

2.1. The Audit and Governance Committee noted the brief particulars of the Scheme as under:

(a) The Scheme provides for the proposed amalgamation of (a) HDFC Investments and HDFC Holdings with and into the Corporation and the subsequent dissolution of HDFC Investments and HDFC Holdings; and (b) the Corporation with and into the Bank and the subsequent dissolution of the Corporation without winding up.

(b) Sections 230 to 232 of the Act and the SEBI Master Circular, the relevant RBI regulations and such other regulations, as may be applicable from time to time, shall govern the Scheme.

(c) The appointed date for the proposed amalgamation of HDFC Holdings and HDFC Investments with the Corporation, shall mean the end of the day immediately preceding the effectiveness of the Scheme ("**Appointed Date 1**"). The appointed date for the proposed amalgamation of the Corporation with and into the Bank, shall be the same as the Effective Date (*as defined in the Scheme*) ("**Appointed Date 2**").

(d) Amalgamation of: (a) HDFC Investments and HDFC Holdings with and into the Corporation; and (b) the Corporation with and into the Bank shall be in accordance with section 2(1B) of the Income Tax Act, 1961.

(e) Upon coming into effect of the Scheme and in consideration of the proposed amalgamation of:

(i) HDFC Investments and HDFC Holdings with the Corporation, no consideration shall be payable, and the securities held by the Corporation and its nominees in the HDFC Investments and HDFC Holdings, shall stand cancelled without any further act, application or deed; and

(ii) The Corporation with the Bank, the Bank shall, without any further application, act or deed, issue and allot to the shareholders of the Corporation whose names are recorded in the register of members as a member of the Corporation on the record date (or to such of their respective heirs, executors, administrators or other legal representatives

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or other successors in title as may be recognised by the Board of the Bank), 42 (Forty-two) equity shares of the face value of Rs. 1 (Rupees One) each of the Bank (credited as fully paid-up) for every 25 (Twenty-five) equity shares of the face value of Rs. 2 (Rupees 2) each fully paid-up held by such member in the Bank ("**Share Exchange Ratio**").

(f) With effect from the Appointed Date 1 and upon Part C of the Scheme becoming effective, HDFC Investments and HDFC Holdings along with all their assets, liabilities, contracts, employees, licenses, records, approvals, etc. being their respective integral parts shall stand transferred to and vest in or shall be deemed to have been transferred to and vested in the Corporation, as a going concern, without any further act, instrument or deed, together with all its properties, assets, liabilities, rights, benefits and interest therein, subject to the provisions of the Scheme, in accordance with Sections 230 - 232 of the Act, the Income-Tax Act, 1961 and applicable provisions, if any.

(g) The Corporation shall, upon the Scheme becoming effective and with effect from Appointed Date 1, record the assets, liabilities and reserves, if any, of the HDFC Investments and HDFC Holdings as vested in it pursuant to the Scheme, at the respective book values and in the same form as appearing in the books of the HDFC Investments and HDFC Holdings.

(h) With effect from the Appointed Date 2 and upon Part D of the Scheme becoming effective, the Corporation along with all its assets, liabilities, contracts, employees, licenses, records, approvals etc. being its integral part shall stand transferred to and vest in or shall be deemed to have been transferred to and vested in the Bank, as a going concern, without any further act, instrument or deed, together with all its properties, assets, liabilities, rights, benefits and interest therein, subject to the provisions of the Scheme, in accordance with Sections 230 - 232 of the Act, the Income-Tax Act, 1961 and applicable provisions, if any.

(i) The Bank shall, upon the Scheme becoming effective and with effect from Appointed Date 2, record the assets and liabilities of the Corporation as vested in it pursuant to the Scheme in accordance with the accounting standards notified under Section 133 of the Act and the rules thereto, as amended from time to time, as applicable on the Effective Date.

(j) During the period between the approval of the Scheme by the respective Boards of the Corporation and the Bank and up to the Effective Date (as referred in the Scheme), the business of HDFC Investments, HDFC Holdings, the Corporation and the Bank shall be carried out with reasonable diligence and business prudence in the ordinary course consistent with past practice, in accordance with the applicable law and as mutually agreed between:

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HDFC Investments, HDFC Holdings and the Corporation; and the Corporation and the Bank.

(k) The effectiveness of the Scheme is contingent upon certain conditions as mentioned in the Scheme including the receipt of the requisite approvals.

3. Details of the Scheme

Basis the perusal and discussion on the Scheme, the Audit and Governance Committee noted the following:

3.1. Need for proposed amalgamation

(a) The need to achieve greater efficiency in cash management and improved access to cash flow generated by the combined business, which can be deployed more efficiently, to maximise shareholder value.

(b) Leveraging the significant complementarities that exist amongst the parties to the proposed amalgamation through the Scheme ("**Amalgamation**"), which would create meaningful value for various stakeholders.

(c) HDFC Investments and HDFC Holdings are Systemically Important Non - Deposit Taking Non - Banking Financial Companies and are also wholly owned subsidiaries of the Corporation. The Amalgamation would result in a simplified corporate structure.

3.2. Rationale for the Scheme

(a) The Amalgamation shall enable HDFC Bank to build its housing loan portfolio and enhance its existing customer base.

(b) The Corporation has invested capital and developed skills and has set up 464 offices across the country. These offices can be used to sell the entire product suite of both the Corporation and HDFC Bank.

(c) The loan book of the Corporation is diversified having cumulatively financed over 90 lakh dwelling units. With the Corporation's leadership in the home loan arena, developed over the past 45 years, the resultant Bank would be able to provide to customers flexible mortgage offerings in a cost-effective and efficient manner.

(d) HDFC Bank has access to funds at lower costs due to its high level of current and savings accounts deposits (CASA). With the Amalgamation, the Bank will be able to offer more competitive housing products.

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(e) The Corporation's rural housing network and affordable housing lending is likely to qualify for HDFC Bank as priority sector lending and will also enable a higher flow of credit into priority sector lending, including agriculture.

(f) The Amalgamation will result in reducing HDFC Bank's proportion of exposure to unsecured loans.

(g) HDFC Bank can leverage on the loan management system, comprising rule engines, IT tools and rules, agents connected through a central system.

(h) The Amalgamation is expected to result in bolstering the capital base and bringing in resiliency in the balance sheet of HDFC Bank.

3.3. Synergies of business of the Amalgamating Companies

(a) HDFC Bank is a banking company with a large distribution network that offers product offerings in the retail and wholesale segments. The Corporation is a premier housing finance company in India and provides housing loans to individuals as well as loans to corporates, undertakes lease rental discounting and construction finance apart from being a financial conglomerate. A combination of the Corporation and HDFC Bank is entirely complementary to and enhances the value proposition of resultant Bank.

(b) HDFC Bank is a private sector bank and has a large base of over 6.8 Crore customers. The bank platform will provide a well-diversified low cost funding base for growing the long tenor loan book acquired by the Bank pursuant to the Amalgamation;

(c) HDFC Bank would benefit from a larger balance sheet and networth which would allow underwriting of larger ticket loans and also enable a greater flow of credit into the Indian economy.

(d) The Corporation has built technological capabilities to evaluate the credit worthiness of customers using analytical models, and has developed unique skills in financing various customer segments. The models have been tested and refined over the years at scale and HDFC Bank will benefit from such expertise in underwriting and financing of mortgage offerings.

(e) The combined business would benefit from increased scale, comprehensive product offering, balance sheet resiliency and the ability to drive synergies across revenue opportunities, operating efficiencies and underwriting efficiencies, amongst others.

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3.4. Impact of the scheme on the shareholders

The Amalgamation would create meaningful value for various stakeholders including respective shareholders, customers, employees, as the combined business would benefit from increased scale, comprehensive product offering, balance sheet resiliency and the ability to drive synergies across revenue opportunities, operating efficiencies and underwriting efficiencies, amongst others.

3.5. Cost benefit analysis of the scheme

(a) Optimal utilisation of resources and economies of scale resulting in improved efficiencies.

(b) Material realisable cost and revenue synergies for the benefit of the parties to the Amalgamation.

4. Valuation Report and Fairness Opinion

4.1. The Audit and Governance Committee reviewed the Valuation Report along with the summary thereof and noted the method of valuation and the recommended Share Exchange Ratio.

4.2. The Audit Committee also noted that the Fairness Opinion has confirmed that the Share Exchange Ratio in the Valuation Report is fair to the shareholders of the Corporation.

5. Recommendation of the Audit and Governance Committee

5.1. The Audit and Governance Committee having considered and noted, *inter alia*, the Valuation Report and the Fairness Opinion, recommends the Scheme in its present form for favourable consideration by the Board, the RBI, SEBI, CCI, IRDAI, PFRDA, Stock Exchanges, NCLT, and such other regulatory authorities, as may be applicable.

5.2. In the opinion of all the members of the Audit and Governance Committee, the Scheme is in the best interest of all the stakeholders of the Corporation including shareholders, customers, lenders and employees and the Share Exchange Ratio as mentioned in the Valuation Report is fair and reasonable.

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In order to enable the Corporation to comply with the requirements of extant regulations applicable to the listed companies undertaking any scheme of amalgamation under the Act, this report of the Audit and Governance Committee may please be taken on record by the Board while considering the Scheme for approval and further authorisations.

For and on behalf of the Audit and Governance Committee of Board of Directors of Housing Development Finance Corporation Limited

Name: Jalaj Dani
Designation: Chairman, Audit and Governance Committee
Date: April 4, 2022
Place: Mumbai

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