HDFC BANK
We understand your world

HDFC Bank Limited
Trade House Kamala Mills
Compound, Senapati Bapat
Marg, Lower Parel,
Mumbai - 400 013,
Tel. : 022-2498 8484,
Fax : 022-2496 5235

CIN : L65920MH1994PLC080618
E-mail : shareholder.grievances@hdfcbank.com
Website : www.hdfcbank.com

FORM A

Format of covering letter of the annual audit report to be filed with the Stock Exchanges

(In pursuance of Clause 31 of the Listing Agreement)

1	Name of the Company	HDFC Bank Limited ("the Bank")
2	Annual Financial Statements for the year ended	31st March 2014
3	Type of Audit observation	Unqualified
4	Frequency of observation	The Bank has received unqualified report since inception from 1994-1995

Sashidar Jagdishan
CFO

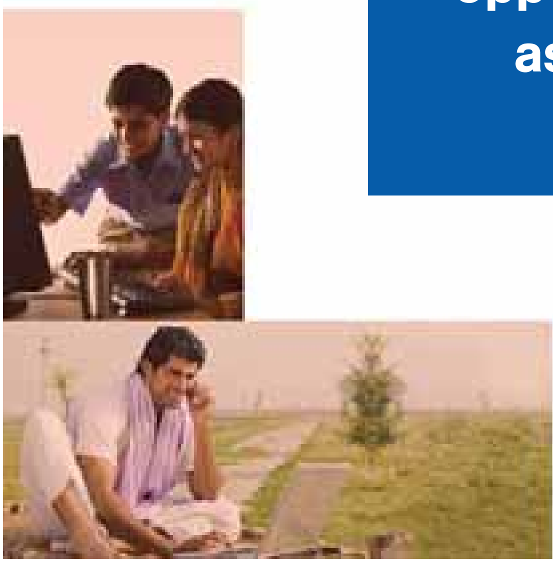
Aditya Puri
Managing Director

C.M. Vasudev
Chairman of the Audit and Compliance Committee

Akeel Master
BSR & Co. LLP, Chartered Accountants
Statutory Auditors of the Bank

Annual Report
2013-2014

Because Bharat wants the same opportunities as India.



www.hdfcbank.com

HDFC BANK

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Accolades

2013 – 2014

Asiamoney
- Best Domestic Bank in India
- Best Local Cash Management Bank in India
- Aditya Puri – Best Executive in India

Business India
- Best Bank

Business Standard
- Aditya Puri – Banker of the Year

Business Today – KPMG Best Banks Survey
- Best Bank

Businessworld
- Best Bank in India (Large Banks)

Dun & Bradstreet Corporate Awards
- Best in Banking Sector

Dun & Bradstreet Polaris Financial Technology Banking Awards
- Best Private Sector Bank – Technology Adoption
- Best Private Sector Bank – Retail
- Overall Best Private Sector Bank

FE-EY Best Banks Survey
- Best Bank – New Private Sector
- Best in Strength and Soundness
- Best in Profitability

Finance Asia Country Awards for Achievement
- Best Bank – India

Forbes Asia
- Fab 50 Companies List (for the 7th Year)

Global Finance Survey – World's Best Banks
- Best Bank in India

GUINNESS WORLD RECORD™
- Largest Blood Donation Drive across multiple venues, in a single day

IBA Banking Technology Awards
- Best Technology Bank of the Year
- Best Internet Bank
- Best Customer Management Initiative
- Best Use of Mobility Technology in Banking

IBA Innovation Awards
- Most Innovative Use of Technology

Institute for Development and Research in Banking Technology Awards
- Best Bank – Managing IT Risk (Large Banks)
- Best Bank – Mobile Banking (Large Banks)
- Best Bank – Best IT Team (Private Sector Banks)

Institutional Investor
- Best Investor Relations Company (Banking Sector)
- Best CEO (Banking Sector)
- Best CFO (Banking Sector)

MACCIA Awards
- Best in Financial Services – Bank Category

NDTV Profit Business Leadership Awards
- Winner in the Banking Category

Outlook Money Awards
- Best Bank in Large Banks Category

Sunday Standard Best Banker Awards
- Best Private Sector Bank – Large
- Safest Bank – Large
- Aditya Puri – Top Achiever

The Asian Banker Achievement Awards
- International Transaction Banking

UTI Mutual Fund CNBC TV 18 Financial Advisory Awards
- Best Performing Bank – Private

Highlights

2013 – 2014

- Net Profit : ₹ 8,478 crore. An increase of 26.0 % compared to the previous year
- Balance sheet size : ₹ 491,600 crore. An increase of 22.8% compared to the previous year
- Total deposits : ₹ 367,337 crore. An increase of 24.0 % as compared to previous year
- Total advances : ₹ 303,000 crore. An increase of 26.4% compared to previous year
- Capital Adequacy Ratio : 16.1 %.
- Tier I Capital ratio : 11.8 %
- Gross Non Perfoming Assets : 0.98 % of Gross Advances
- Network:
  - Branches: 3,403
  - ATMs: 11,256
  - Cities/Towns: 2171

Foreword

The rural landscape of India, or “Bharat” as it is often called, bears a different look today. With changing lifestyles and growing aspirations, Bharat too demands greater choices and access to the same opportunities as urban India. Rising incomes and consumer prosperity have also intensified the need for better banking and financial services. HDFC Bank spotted this opportunity early and ventured into the rural frontier with locally adapted products and cost effective go-to-market models.

The growth potential of the Indian rural economy is significant. By 2014-15, 150 million people in rural India are expected to have consumption levels at par with urban consumers. The last decade from 1999 to 2009 saw rural manufacturing GDP grow at a CAGR of 18 percent. However, the rural population still remains underbanked and underserved, often dominated by local moneylenders and faced with limited choices.

HDFC Bank’s rural strategy recognises this gap and is hence anchored around providing the full range of customised banking solutions across savings, loans, payment and investment products. Many of these products are already leaders in their respective categories in urban markets. From the customer’s perspective, a relationship with the Bank also provides superior and upgraded services.

The Bank’s foray into rural segments continued this year. We have created a deeper reach and a stronger foothold in rural communities. As of March 2014, the Bank has 55 percent of its branches located in semi-urban and rural locations. The number of branches in these regions rose from 1,615 in 2012-13 to 1,888 in 2013-14. These numbers are a reflection of the Bank’s commitment to Bharat, with a distribution footprint and product suite that is aligned to this customer segment.

Our growth in the rural segment has been made possible with a blend of unique models and strategies, tested and adapted to local conditions.

The Hub-and-Spoke model, relying on one, two or three-officer branches, extends the services of a standard branch to unbanked, remote locations in a cost effective manner. The ‘Grameen’ model brings a rural bank branch within easy reach of its neighbouring ten or more villages. In certain remote areas, the Bank’s Grameen Banking Officers travel

once a week on fixed days to address banking requirements. Another strategy utilises local stores and individuals to act as Business Correspondents, covering 1,100 such arrangements across India.

The ecosystem-oriented approach, which involves engaging with every stage of the farming cycle, has led the Bank to actively collaborate with the Punjab Grains Procurement Corporation (PUNGRAIN), providing an automated card based infrastructure for payments to farmers and commission agents. In dairy farming-centric areas of Gujarat, the approach led to the innovation of 'milk ATMs', which grade and weigh milk, and transfer cash to the farmers at pre-fixed rates.

Technology has played a key role in the push into the hinterland. A Toll-Free number to carry out basic banking activities was well received by customers in rural and semi-urban centres as it allowed them to get instant updates on common services such as account balances and transaction information, free of cost. For the large Hindi speaking belt, there is a Hindi Mobile App and SMS Banking.

In urban areas, the Bank's business has continued to strengthen with new products such as the Multicurrency ForexCard, the only such card with 18 currencies. In cash management services, the Bank maintained its market leadership. Services such as Mobile Banking continue to grow with an increase of 84 percent in metros and urban centres.

In the area of social responsibility, the Sustainable Livelihood Banking Program reached out to two million households, empowering women and raising the standard of living of entire families. Other rural initiatives included Rural Financial Literacy

Camps which are delivered in twelve regional languages based on educational material prescribed by the RBI.

The Bank was honoured by GUINNESS WORLD RECORD™ this year, which recognised it as the largest corporate donor of blood in a single day in the world, with 61,902 donors in 709 locations. Our 2.2 million social media community played a larger role in our Sustainability programs this year when the Bank asked people to vote for their favourite NGO through a Facebook App before making annual donations.

In conclusion, the anticipated economic growth in rural and semi urban areas is a story worth watching, and HDFC Bank is firmly committed to its unique position in playing a leading role in this transformation. This imperative is a logical progression of our strategy in urban markets, underpinned by our focus on innovation and sustainability.

Sustainable Livelihood Initiative

Sustainable Livelihood Initiative (SLI) gained momentum this past year, touching the lives of over 2.6 million households in more than 10,000 villages spread across 24 states. It is our belief however, that the numbers that truly matter are the lives we empower.

Adopting a unique approach of coupling both financial and non-financial services, the SLI program has enabled the unbanked and underbanked sections of society to take control of their financial life, generate an income and save for a better future.

The Bank has also been actively supporting the creation of a savings culture in this segment. Customers are encouraged to open micro recurring deposits which can be started with as little as ₹100 per month. At the end of the financial year, over 1.24 lac such customers had opened micro recurring deposit accounts with the Bank.

In addition to microfinance and micro recurring deposits, basic savings accounts, micro fixed deposits and micro insurance are also offered. These help meet both immediate and long-term needs of many families.

We are also committed to improving financial literacy as part of the SLI program. Non financial services such as pre and post credit counseling sessions for customers has helped empower people make better financial decisions. This is supported by livelihood training and marketing support which further helps their income grow. The impact of the SLI program extends not just to women but entire families.

Increasingly, the scope of the SLI team's work includes rehabilitation. Natural calamities in different parts of the country has meant working with customers and surrounding communities on different levels. In Tamil Nadu, the team conducted veterinary camps to help customers cope with the outbreak of an epidemic of Foot and Mouth disease that affected cattle. More than 1,600 customers participated in these camps. In Butibori, Maharashtra, relief was provided through donations of food and cooking oil to flood victims. Similar efforts helped SLI customers in Uttarakhand.

The most significant work done in rehabilitation was in Odisha after Cyclone Phalin left the area devastated, destroying entire villages and industries. The team from SLI were the first to get to the area to provide relief. Camps fed up to 6,000 people a day. Once the initial challenges were overcome, the Bank focused on restoring the livelihoods of people. Training was provided to help many cottage industries start afresh such as fishing, puffed rice making, flower and vegetable farming. Our assistance has helped people get back on their feet and most have learnt a new skill that will eventually improve their income.

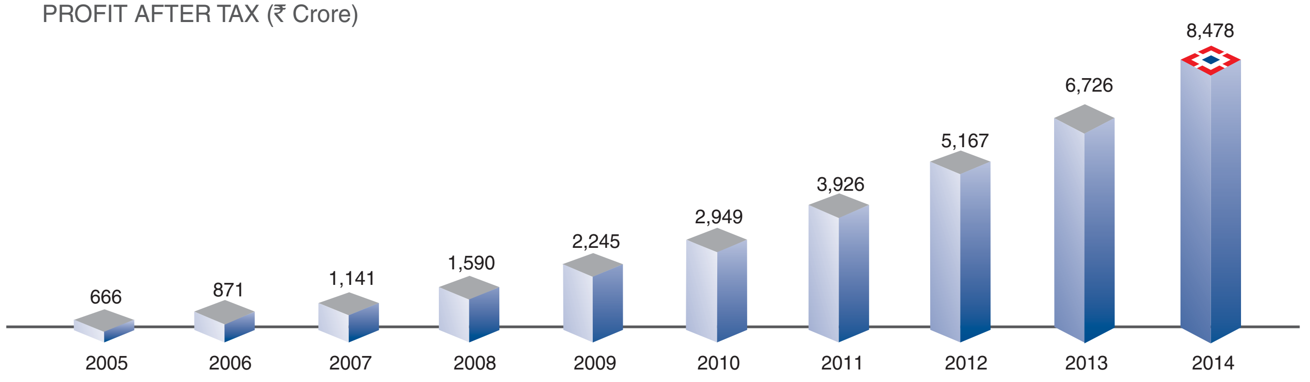
Chhaya Raju Pohankar *from Nandgaonpeth 13 km from Amravati near Nagpur became a sculptor to support her husband by supplementing the household income. A loan from the Bank helped her buy more raw materials and invest in a compressor machine. This has helped increase her productivity and income.*

Rukmani R. *is a weaver from Athivaraganatham near Chennai whose family was mired in debt after her daughter's wedding. Unable to buy raw materials to run her loom, her family struggled to make ends meet. With loans from the Bank, she was able to purchase raw materials, grow her business and pay off her debts. Her business has boomed and she now plans to buy a second loom to keep up with demand.*

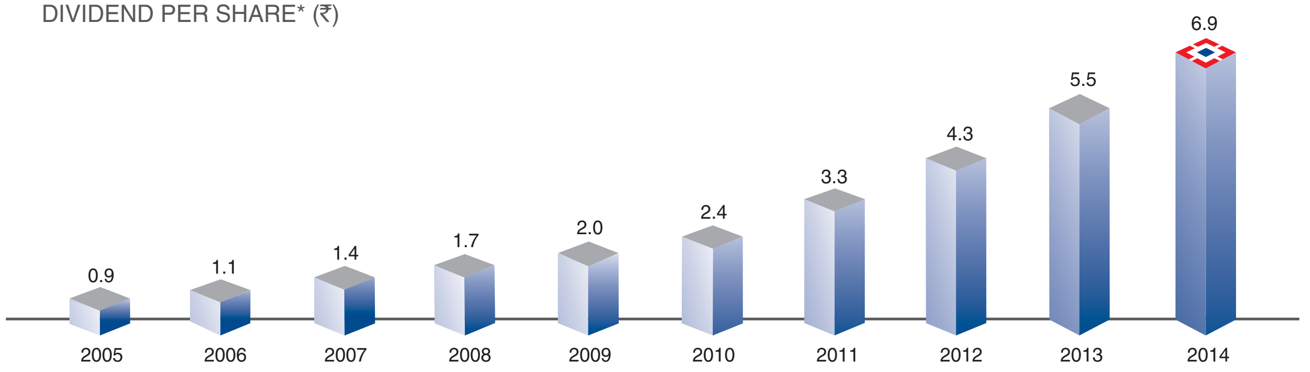
Satvir Kaur *from Moga, Punjab has been partially affected by polio since childhood. This meant she was completely dependent on her family members. A loan from the Bank enabled her to learn tailoring and then start a business. As Satvir says "I am an independent woman today with the help of the Bank's credit. It makes me feel very proud that despite my physical inability, I am earning an income of my own."*

Varsha Devi *from Jaipur, Rajasthan was heavily in debt and led a life of poverty. A loan from the Bank supported by credit counseling sessions from the SLI team helped get her life back on track. She now works as a security guard at a mall earning a regular income of ₹6,500 per month. This has enabled her to lead a life of dignity and pay off her various loans.*

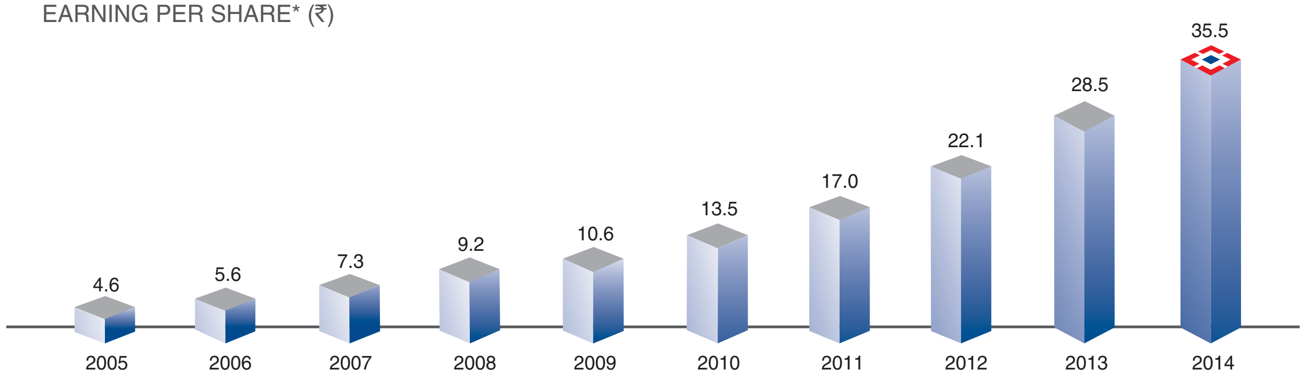
PROFIT AFTER TAX (₹ Crore)



DIVIDEND PER SHARE* (₹)



EARNING PER SHARE* (₹)



* Previous year figures have been changed to reflect split of shares of FV ₹ 10 per share into FV of ₹ 2 per share

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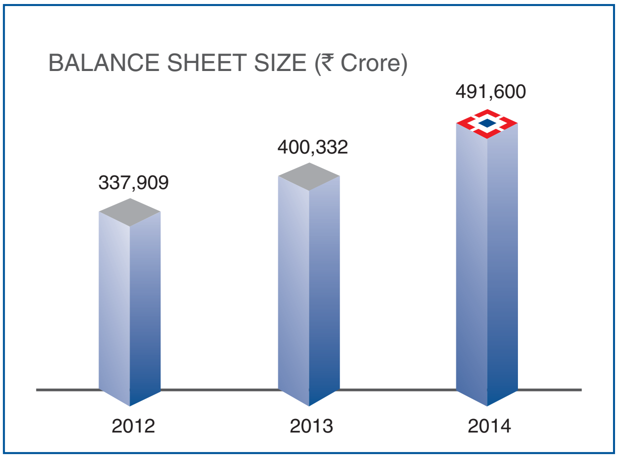
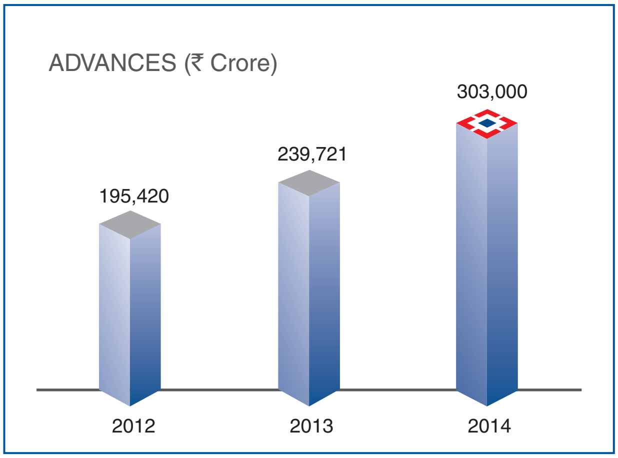
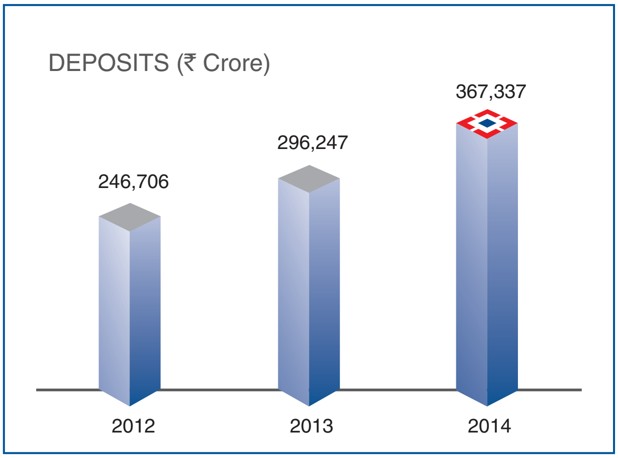
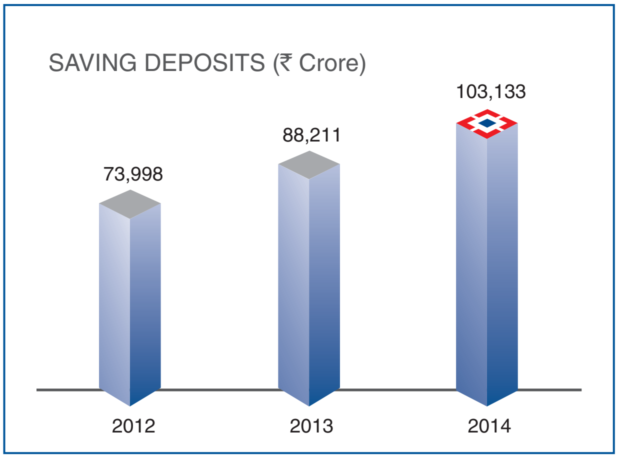
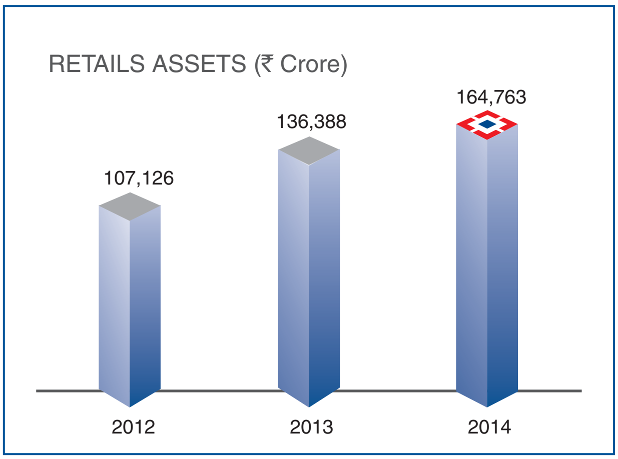
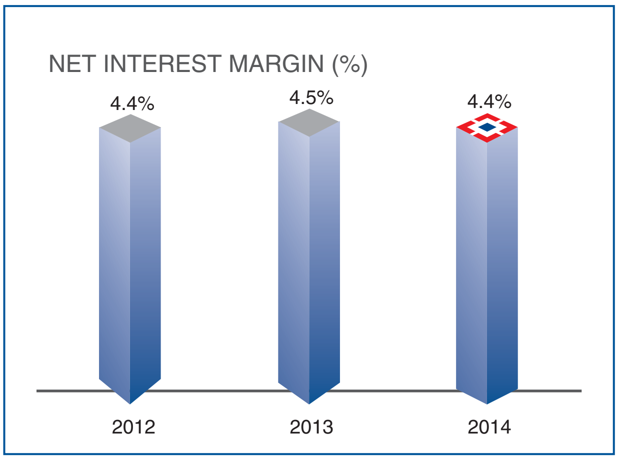

BALANCE SHEET SIZE (₹ Crore)
337,909
400,332
491,600
2012
2013
2014

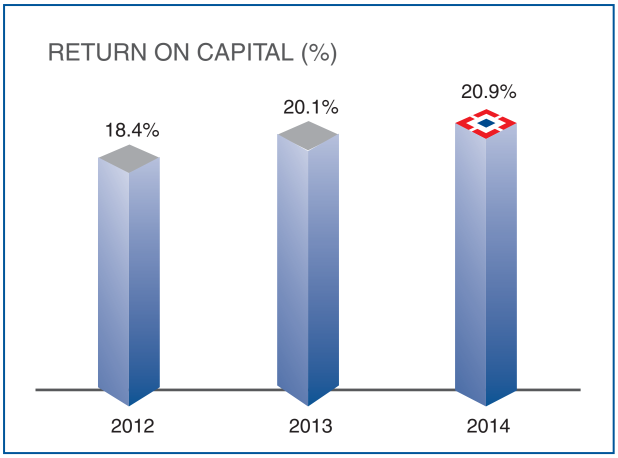

ADVANCES (₹ Crore)
195,420
239,721
303,000
2012
2013
2014


DEPOSITS (₹ Crore)
246,706
296,247
367,337
2012
2013
2014

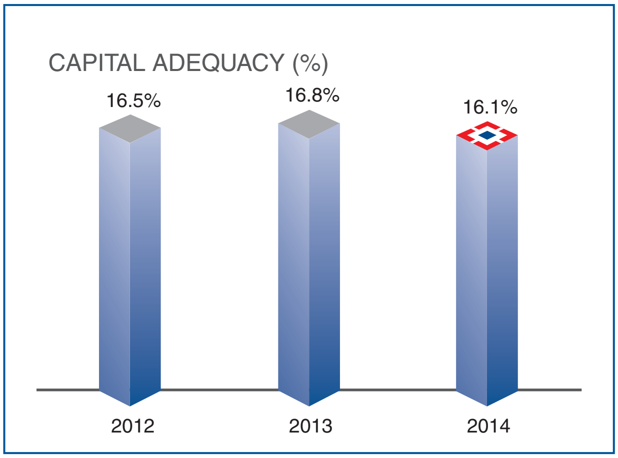

SAVING DEPOSITS (₹ Crore)
73,998
88,211
103,133
2012
2013
2014


RETAILS ASSETS (₹ Crore)
107,126
136,388
164,763
2012
2013
2014

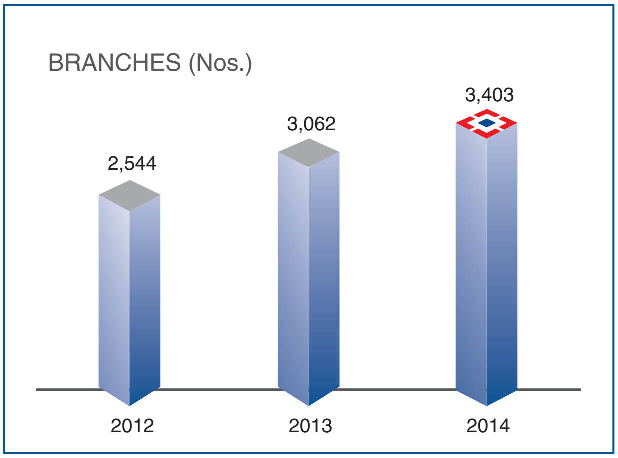

NET INTEREST MARGIN (%)
4.4%
4.5%
4.4%
2012
2013
2014



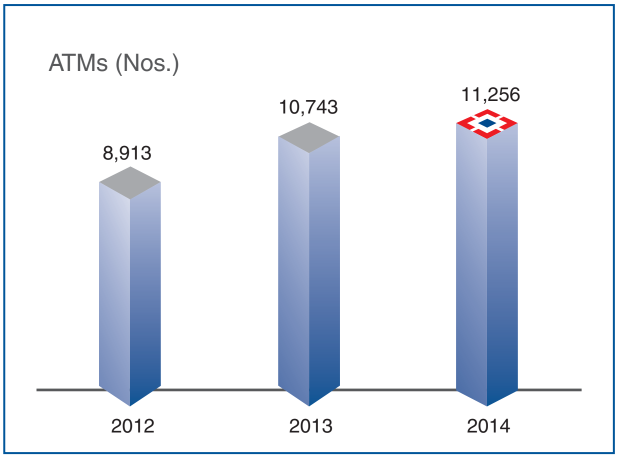
RETURN ON CAPITAL (%)
18.4%
20.1%
20.9%
2012
2013
2014



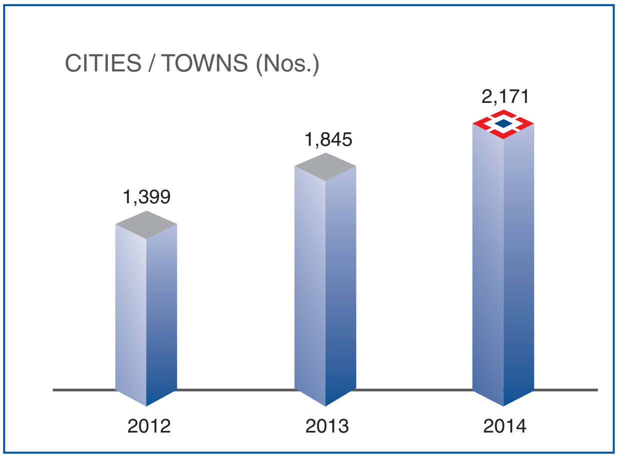
CAPITAL ADEQUACY (%)
16.5%
16.8%
16.1%
2012
2013
2014



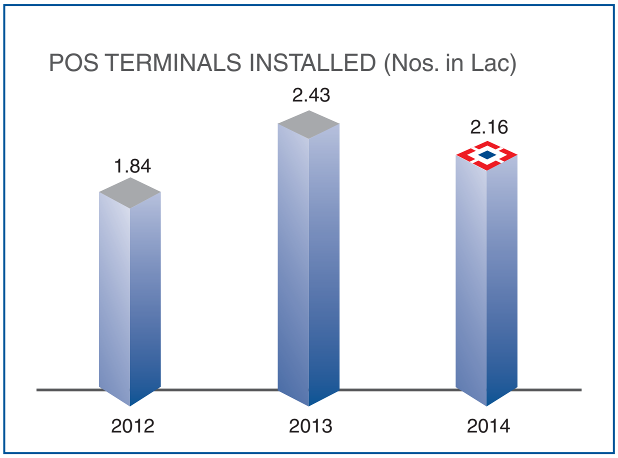
BRANCHES (Nos.)
2,544
3,062
3,403
2012
2013
2014



ATMs (Nos.)
8,913
10,743
11,256
2012
2013
2014

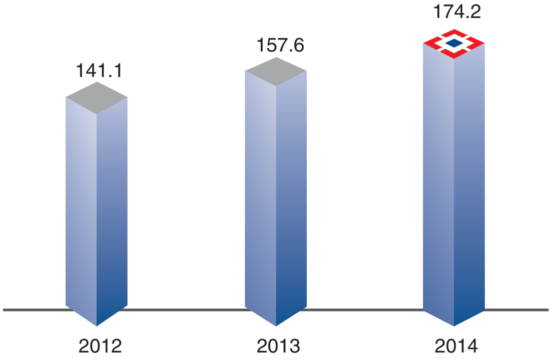


CITIES / TOWNS (Nos.)
1,399
1,845
2,171
2012
2013
2014

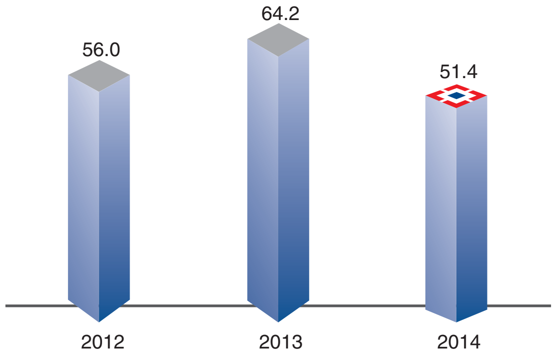


POS TERMINALS INSTALLED (Nos. in Lac)
1.84
2.43
2.16
2012
2013
2014

DEBIT CARDS (Nos. in Lac)

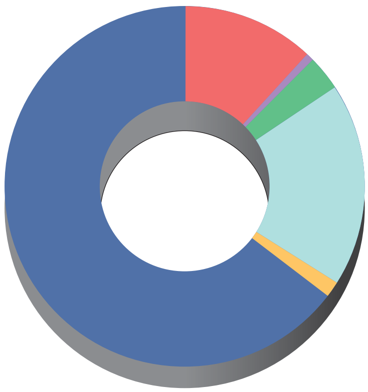


CREDIT CARDS (Nos. in Lac)



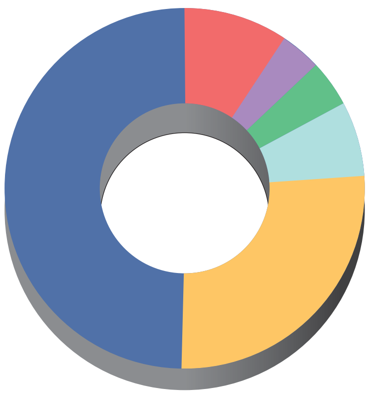
RUPEE EARNED

Interest from Advances	64.59%
Income from Investments	18.65%
Commission, Exchange, Brokerage	11.69%
FX & Derivative Income	2.86%
Others	1.37%
Other Interest Income	0.84%



RUPEE SPENT

Interest Expense	49.75%
Operating Expense	26.45%
Tax	9.43%
Transfer to Reserve	6.65%
Dividend & Tax on Dividend	4.23%
Provisions	3.49%



Financial Highlights

	2004-2005	2005-2006	2006-2007
Interest Income	3,119.78	4,547.26	7,055.35
Interest Expense	1,315.56	1,929.50	3,179.45
Net Interest Income	**1,804.22**	**2,617.76**	**3,875.90**
Other Income	719.36	1,237.08	1,679.21
Net Revenues	**2,523.58**	**3,854.84**	**5,555.11**
Operating costs	1,369.25	2,116.82	2,975.08
Operating Result	**1,154.33**	**1,738.02**	**2,580.03**
Provisions and Contingencies	175.39	484.51	941.28
Loan Loss Provisions	174.74	484.21	877.13
Others	0.65	0.30	64.15
Profit before tax	**978.94**	**1,253.51**	**1,638.75**
Provision for taxation	313.38	382.73	497.30
Profit after tax	**665.56**	**870.78**	**1,141.45**
Funds :			
Deposits	36,354.25	55,796.82	68,297.94
Subordinated debt	500.00	1,702.00	3,282.60
Stockholders' Equity	4,519.85	5,299.53	6,433.15
Working Funds	51,429.00	73,506.39	91,235.61
Loans	25,566.30	35,061.26	46,944.78
Investments	19,349.81	28,393.96	30,564.80
Key Ratios :			
Earnings per share (₹) *	4.58	5.58	7.26
Return on Average Networth	20.44%	17.47%	19.40%
Tier 1 Capital Ratio	9.60%	8.55%	8.58%
Total Capital Ratio	12.16%	11.41%	13.08%
Dividend per share (₹) *	0.90	1.10	1.40
Dividend payout ratio	24.00%	22.55%	22.92%
Book value per share as at March 31 (₹) *	29.17	33.85	40.28
Market price per share as at March 31 (₹) **	114.73	154.85	190.83
Price to Earnings Ratio	25.03	27.74	26.29

₹ 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.

(₹ crore)

2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	
10,530.43	16,584.01	16,467.92	20,380.77	27,874.19	35,064.87	41,135.53	
4,887.12	8,911.10	7,786.30	9,385.08	14,989.58	19,253.75	22,652.90	
5,643.31	**7,672.91**	**8,681.62**	**10,995.69**	**12,884.61**	**15,811.12**	**18,482.63**	
2,495.94	3,700.65	4,573.63	4,945.23	5,783.62	6,852.62	7,919.64	
8,139.25	**11,373.56**	**13,255.25**	**15,940.92**	**18,668.23**	**22,663.74**	**26,402.28**	
4,311.03	5,950.54	6,475.71	7,780.02	9,277.64	11,236.11	12,042.20	
3,828.22	**5,423.02**	**6,779.54**	**8,160.90**	**9,390.59**	**11,427.63**	**14,360.08**	
1,547.59	2,123.78	2,490.40	2,342.24	1,877.44	1,677.01	1,588.03	
1,278.84	1,970.35	2,288.74	1,198.55	1,091.77	1,234.21	1,632.58	
268.75	153.43	201.66	1,143.69	785.67	442.80	(44.56)	
2,280.63	**3,299.24**	**4,289.14**	**5,818.66**	**7,513.15**	**9,750.62**	**12,772.05**	
690.45	1,054.31	1,340.44	1,892.26	2,346.08	3,024.34	4,293.67	
1,590.18	**2,244.93**	**2,948.70**	**3,926.40**	**5,167.07**	**6,726.28**	**8,478.38**	
100,768.60	142,811.58	167,404.44	208,586.41	246,706.45	296,246.98	367,337.48	
3,249.10	8,738.58	6,353.10	7,393.05	11,105.65	16,586.75	16,643.05	
11,497.23	14,646.33	21,519.58	25,376.35	29,924.37	36,214.15	43,478.63	
133,176.60	183,270.77	222,458.57	277,352.59	337,909.50	400,331.90	491,599.50	
63,426.90	98,883.05	125,830.59	159,982.67	195,420.03	239,720.64	303,000.27	
49,393.54	58,817.55	58,607.62	70,929.37	97,482.91	111,613.60	120,951.07	
9.24	10.57	13.51	17.00	22.11	28.49	35.47	
16.05%	16.12%	16.80%	16.52%	18.37%	20.07%	20.88%	
10.30%	10.58%	13.26%	12.23%	11.60%	11.08%	11.77%	
13.60%	15.69%	17.44%	16.22%	16.52%	16.80%	16.07%	
1.70	2.00	2.40	3.30	4.30	5.50	6.85	***
22.17%	22.17%	21.72	22.72	22.70%	22.77%	22.68%	
64.88	68.86	94.02	109.09	127.52	152.20	181.23	
266.25	194.68	386.70	469.17	519.85	625.35	748.80	
28.80	18.42	28.62	27.59	23.51	21.95	21.11	

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

BOARD OF DIRECTORS

Mr. C. M. Vasudev, Chairman

Mr. A. N. Roy

Mr. Bobby Parikh

Mr. Keki Mistry

Dr. Pandit Palande

Mr. Partho Datta

Mrs. Renu Karnad

Mr. Vijay Merchant

Mr. Aditya Puri, *Managing Director*

Mr. Paresh Sukthankar, *Deputy Managing Director*
(elevated as *Deputy Managing Director* w.e.f 24.12.2013)

Mr. Harish Engineer *Executive Director* (upto 30.09.2013)

Mr. Kaizad Bharucha, *Executive Director*
(appointed on 24.12.2013)

KEY MANAGERIAL PERSONS

Mr. Aditya Puri

Mr. Paresh Sukthankar

Mr. Kaizad Bharucha

Mr. Sashi Jagdishan

Mr. Sanjay Dongre

SENIOR MANAGEMENT TEAM

Mr. A Parthasarthy

Mr. Abhay Aima

Mr. Anil Jaggia

Mr. Anil Nath

Mr. Bhavesh Zaveri

Mr. Deepak Maheshwari

Mr. Jimmy Tata

Mr. Navin Puri

Mr. Rahul Bhagat

Mr. Rajender Sehgal

Mr. V Chakrapani

EXECUTIVE VICE PRESIDENT (LEGAL) & COMPANY SECRETARY

Mr. Sanjay Dongre

STATUTORY AUDITORS

B S R & Co. LLP
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 - L65920MN1994PLC080618

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 28213404
E-mail: hdinvestors@dfssl.com

20th ANNUAL GENERAL MEETING

Date	:	June 25, 2014
Day	:	Wednesday
Time	:	2.30 p.m.
Place	:	Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020
Book Closure for AGM	:	7th June, 2014 to 25th June, 2014 (both days inclusive)

Contents

HDFC BANK
We understand your world

To the Members,

Your Directors take great pleasure in presenting the Twentieth Annual Report on the business and operations of your Bank together with the audited accounts for the year ended March 31, 2014.

FINANCIAL PERFORMANCE

(₹ crore)

	For the year ended	
	March 31, 2014	**March 31, 2013**
Deposits and Other Borrowings	406,776.5	329,253.6
Advances	303,000.3	239,720.6
Total Income	49,055.2	41,917.5
Profit before Depreciation and Tax	13,443.7	10,402.3
Net Profit	8,478.4	6,726.3
Profit brought forward	11,132.2	8,399.6
Total Profit available for Appropriation	19,610.6	15,125.9
Appropriations:		
Transfer to Statutory Reserve	2,119.6	1,681.6
Transfer to General Reserve	847.8	672.6
Transfer to Capital Reserve	58.3	85.8
Transfer to / (from) Investment Reserve	3.2	17.7
Proposed Dividend	1,643.4	1,309.1
Tax Including Surcharge and Education cess on Dividend	279.3	222.5
Dividend (including tax / cess thereon) pertaining to previous year paid during the year	4.8	4.5
Balance carried over to Balance Sheet	14,654.2	11,132.2

The Bank posted total income and net profit of ₹ 49,055.2 crore and ₹ 8,478.4 crore respectively for the financial year ended March 31, 2014 as against ₹ 41,917.5 crore and ₹ 6,726.3 crore respectively in the previous year.

Appropriations from net profit have been effected as per the table given above.

DIVIDEND

Your Bank has had a dividend policy that balances the dual objectives of appropriately rewarding shareholders through dividends and retaining capital in order to maintain a healthy capital adequacy ratio to support future growth. It has had a consistent track record of moderate but steady increase in dividend declarations over its history with the dividend payout ratio ranging between 20% and 25%. Consistent with this policy and in recognition of the overall performance during this financial year, your directors are pleased to recommend a dividend of ₹ 6.85 per equity share of ₹ 2 for the year ended March 31, 2014 as against ₹ 5.50 per equity share of ₹ 2 for the previous year ended March 31, 2013. This dividend shall be subject to tax on dividend to be paid by the Bank.

AWARDS

As in the past years, awards and recognition were conferred upon your Bank by leading domestic and international organizations and publications during the financial year ended March 31, 2014.

Some of them are :

Asiamoney
- Best Domestic Bank in India
- Best Local Cash Management Bank in India
- Aditya Puri - Best Executive in India

Business India
- Best Bank

Business Standard
- Aditya Puri - Banker of the Year

Business Today - KPMG Best Banks Survey
- Best Bank

Businessworld
- Best Bank in India (Large Banks)

Dun & Bradstreet Corporate Awards
- Best in Banking Sector

Dun & Bradstreet Polaris Financial Technology Banking Awards
- Best Private Sector Bank - Technology Adoption
- Best Private Sector Bank - Retail
- Overall Best Private Sector Bank

FE-EY Best Banks Survey
- Best Bank - New Private Sector
- Best in Strength and Soundness
- Best in Profitability

Finance Asia Country Awards for Achievement
- Best Bank - India

Forbes Asia
- Fab 50 Companies List (for the 7th Year)

Global Finance Survey - World's Best Banks
- Best Bank in India

GUINNESS WORLD RECORD™
- Largest Blood Donation Drive across multiple venues, in a single day

IBA Banking Technology Awards
- Best Technology Bank of the Year
- Best Internet Bank
- Best Customer Management Initiative
- Best Use of Mobility Technology in Banking

IBA Innovation Awards
- Most Innovative Use of Technology

Institute for Development and Research in Banking Technology Awards
- Best Bank - Managing IT Risk (Large Banks)
- Best Bank - Mobile Banking (Large Banks)
- Best Bank - Best IT Team (Private Sector Banks)

Institutional Investor
- Best Investor Relations Company (Banking Sector)
- Best CEO (Banking Sector)
- Best CFO (Banking Sector)

MACCIA Awards
- Best in Financial Services - Bank Category

NDTV Profit Business Leadership Awards
- Winner in the Banking Category

Outlook Money Awards
- Best Bank in Large Banks Category

Sunday Standard Best Banker Awards
- Best Private Sector Bank - Large
- Safest Bank - Large
- Aditya Puri - Top Achiever

The Asian Banker Achievement Awards
- International Transaction Banking

UTI Mutual Fund CNBC TV 18 Financial Advisory Awards
- Best Performing Bank - Private

RATINGS

Instrument	Rating	Rating Agency	Comments
Fixed Deposit Program	CARE AAA (FD)	CARE Ratings	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.
	tAAA (ind)	India Ratings	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.
Certificate of Deposits Program	CARE A1+	CARE Ratings	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.
	A1+ (ind)	India Ratings	Instruments with this rating are considered to have very strong degree of safety regarding timely payment 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 the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk
	AAA (ind) with a Stable outlook	India Ratings	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk
Tier 1 Perpetual Bonds	CARE AAA	CARE Ratings	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk
	AAA Stable	CRISIL	Instruments with this rating are considered to have the highest 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 the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk
	AAA stable	CRISIL	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk

ISSUANCE OF EQUITY SHARES

During the year under review, 196.3 lac shares were allotted to the employees of your Bank in respect of the stock options exercised. These include the shares allotted under the Employee Stock Option Schemes of the erstwhile Centurion Bank of Punjab.

EMPLOYEE STOCK OPTIONS

The information pertaining to Employee Stock Options is given in an annexure to this report.

CAPITAL ADEQUACY RATIO

The Reserve Bank of India issued the Basel III capital regulations which were effective from April 1, 2013. Accordingly Bank's in India are now required to report Capital Adequacy ratios under Basel III guidelines. Your Bank's total Capital Adequacy Ratio (CAR) calculated in line with Basel III capital regulations stood at 16.1%, well above the regulatory minimum of 9.0%. Of this, Tier I CAR was 11.8%.

SUBSIDIARY COMPANIES

Your Bank has two subsidiaries, HDB Financial Services Limited ('HDBFS') and HDFC Securities Limited ('HSL')

HDB FINANCIAL SERVICES LIMITED

HDBFS is a non-deposit taking non-bank finance company ('NBFC'). The customer segments being addressed by HDBFS are typically underserviced by larger commercial banks, and thus create a profitable niche for the company. Apart from lending to individuals, the company grants loans to micro, small and medium business enterprises. It also runs call centers for collection services to the Bank's retail loan products.

As on March 31, 2014, HDBFS had 275 branches in 202 cities. During the financial year ended March 31, 2014, the company's total income increased by over 75% to ₹ 1,688.3 crore as compared to ₹ 963.2 crore in the previous year. During the same period the company's net profit after tax grew 104% to reach ₹ 209.2 crore compared to ₹ 102.5 crore in the previous year.

During the year ended March 31, 2014, HDBFS issued 10,26,91,469 shares at ₹ 56 per share (includes premium of ₹ 46) on right basis at 1:4 ratio (one share for every four shares held). Your bank subscribed 10,00,00,000 shares in the issue at ₹ 56 per share .

HDFC SECURITIES LIMITED

HDFC Securities Limited has emerged as a strong player in the financial services space offering complete financial services along with the core broking product. The Company continued strengthening its distribution network and by the end of the year had 200 branches across 160 cities in the country. During the year under review, the Company's total income amounted to ₹ 263.1 crore as against ₹ 232.1 crore in the previous year. The operations have resulted in a net profit after tax of ₹ 78.4 crore as against ₹ 66.8 crore in the previous year.

During the year under review, your Bank increased its stake in HSL by buying out the entire shareholding (27.82 per cent) of the minority partner Indocean e-Securities Holdings Ltd. Consequently, your Bank held 89.24 per cent stake in HSL as on March 31, 2014.

Shareholders who wish to have a copy of the annual accounts and detailed information on HDBFS and HSL may write to the Bank for the same. Further, the said documents shall also be available for inspection by shareholders at the registered offices of the Bank, HDBFS and HSL.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

Macroeconomic and Industry Developments

The Indian economy underwent yet another challenging environment in 2013-14 driven by subdued domestic growth, extreme volatility in the exchange rate and a much higher than expected spike in inflation rates. While domestic GDP growth did show a marginal improvement from 4.5% (YoY) in FY13 to 4.7% in FY14 (estimated), most of the increase can be attributed to an increase in agricultural growth from 1.4% to 4.2%. Growth in both the industrial sector and service sector remained lackluster on the back of weakness in both consumption and investment demand. A major problem for the economy in 1HFY14 was a very aggressive and disorderly bout of currency depreciation. The Indian rupee weakened to its lowest level against the greenback driven by concerns about the domestic macroeconomic landscape that made investors somewhat circumspect of investing in domestic assets. However, the anxiety about the future direction of US monetary policy on the back of the Fed preparing the markets for a gradual wind-down of QE 3 resulted in an overall pull-out of funds from EM markets. Hence, the INR fell victim to this rotation of funds away from EM markets and into US markets. To counter pressures of currency depreciation, the RBI in July introduced a series of emergency measures so as to tighten domestic liquidity in order to push short-term rates higher so as to provide the INR with some yield advantage. These measures resulted in an inversion of the yield curve. The RBI also provided various sops to commercial banks to raise foreign currency non-residents (FCNR) deposits which saw foreign currency flows of USD 34 billion in the country. The RBI gradually removed these emergency measures when the exchange rate showed some signs of stability in 2HFY14. However, the RBI hiked the repo rate by around 75 bps over the course of FY14 in part to counter exchange rate depreciation as well as to fight inflation pressures as CPI inflation touched a high 11.24% in November-2013.

However, in Q4FY14 there were some signs of an improvement in the overall domestic macroeconomic landscape that in turn provided some stability to the INR. For one, inflation pressures subsided because of a reduction in food price inflation. The government appeared to have stuck to its promise of fiscal consolidation by reducing the fiscal deficit to GDP ratio from 4.9% in FY13 to 4.6% in FY14. Lastly, there has been a very significant improvement in the current account deficit that has compressed from 4.8% in FY13 to a possible 1.9% of GDP in

FY14. The improvement in the current account position came on the back of a substantial compression in the trade deficit as imports fell by 6.7%. Going forward, domestic growth prospects are likely to be driven primarily by the outcome of the general election. If there is market favorable political configuration with a strong mandate that takes charge and commits to moving ahead with the reform process, domestic growth could pick-up to around 5.5%. However, downside risks remain primarily from an unfavourable monsoon that could adversely hit the agricultural sector and result in a further escalation in food price inflation.

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 five core values: Operational Excellence, Customer Focus, Product Leadership, People and Sustainability. Based on these cornerstones, it is our aim to build an Indian Bank that meets the financial needs, 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. The Bank understands and respects its fiduciary role and responsibility to all stakeholders and strives to meet their expectations. The cardinal principles of independence, accountability, responsibility, transparency, fair and timely disclosures, etc. serve as the basis of our approach to corporate governance.

Your Bank believes that diversity and independence of the Board, transparent disclosures, shareholder communication and effective regulatory compliance are necessary for creating and sustaining shareholder value. Your Bank has infused these principles into all its activities.

Your Bank also has a well-documented Code of Ethics / Conduct Policy which defines the high business responsibility and ethical standards to be adhered to while conducting the business of the Bank and mandates compliance with legal and regulatory requirements. Every employee, including senior management has to affirm annually that they will abide by the code of conduct rules.

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

- Develop innovative products and services that attract its target customers and address inefficiencies in the Indian financial sector;
- Increase its market share in India's expanding banking and financial services industry by following a disciplined growth strategy focusing on balancing quality and volume growth while delivering high quality customer service;
- Leverage its technology platform and open scalable systems to deliver more products to more customers and to control operating costs;
- Maintain high risk standards for asset quality through disciplined credit risk management;
- Continue to develop products and services that reduce its cost of funds;
- Focus on healthy earnings growth and low volatility; and
- Integrate our activities in community development, social responsibility and environmental responsibility with our business practices and operations

Financial Performance

The financial performance of your Bank during the financial year ended March 31, 2014 remained healthy with total net revenues (net interest income plus other income) increasing by 16.5% to ₹ 26,402.3 crore from ₹ 22,663.7 crore in the previous financial year. Revenue growth was driven by an increase in both, net interest income and other income. Net interest income grew by 16.9% due to acceleration in loan growth of 26.4% coupled with a net interest margin (NIM) of 4.4% for the year ending March 31, 2014.

Other income grew 15.6% over that in the previous year to ₹ 7,919.6 crore during the financial year ended March 31, 2014. The largest component of other income was fees and commissions, which increased by 11.0% to ₹ 5,734.9 crore with the primary drivers being commissions on debit and credit cards, transactional charges, fees on deposit accounts, processing fees on retail assets and commission on distribution of Insurance products. Foreign exchange and derivatives revenues were ₹ 1,401.1 crore, gain on revaluation / sale of investments were ₹ 110.5 crore and recoveries from written-off accounts were ₹ 622.6 crore in the financial year ended March 31, 2014.

Operating (non-interest) expenses increased from ₹ 11,236.1 crore in the previous financial year to ₹ 12,042.2 crore in the year under consideration. During the year, your Bank opened 341 new branches and 513 ATMs which resulted in higher infrastructure and staffing expenses. Staff expenses also increased on account of annual wage revisions. Cost to income ratio was at 45.6% for the year ended March 31, 2014, as against 49.6% for the previous year.

Total provisions and contingencies were ₹ 1,588.0 crore for the financial year ended March 31, 2014 as compared to ₹ 1,677.0 crore during the previous year. Your Bank's provisioning policies for specific loan loss provisions remain higher than regulatory requirements. The coverage ratio based on specific provisions alone without including write-offs was 73%, and including general and floating provisions was 176% as on March 31, 2014. Your Bank made general provisions of ₹ 221.3 crore during the financial year ended March 31, 2014.

Your Bank's profit before tax was ₹ 12,772.1 crore, an increase of 31.0% over the year ended March 31, 2013. With the effective tax rate for the year at 33.6% as against 31.0% for the previous year, the net profit for year ended March 31, 2014 was ₹ 8,478.4 crore, up 26.0%, over the year ended March 31, 2013. Return on average net worth was 20.9% while the basic earnings per share increased from ₹ 28.5 to ₹ 35.5 per equity share.

As at March 31, 2014, your Bank's total balance sheet was at ₹ 491,600 crore, an increase of 22.8% over ₹ 400,332 crore as at March 31, 2013. Total deposits increased 24.0% from ₹ 296,247 crore as on March 31, 2013 to ₹ 367,337 crore as on March 31, 2014. These included US$ 3.4 billion deposits raised under the RBI window for attracting Foreign Currency Non-Resident (FCNR) deposits. Under this window the Bank could raise foreign currency denominated deposits and swap them into rupees with RBI at a concessional rate. Savings account deposits grew by 16.9% to ₹ 103,133 crore while current account deposits grew by 17.5% to ₹ 61,488 crore as on March 31, 2014. The proportion of current and savings deposits to total deposits was at 44.8% as on March 31, 2014.

During the financial year under review, net advances grew by 26.4% to ₹ 303,000 crore. Your Bank's retail advances grew by 20.8% to reach ₹ 164,763 crore. Adjusted for the one time increase in FCNR deposits swapped with RBI under the special window and the related foreign currency loans, core deposits and advances growth for the year ended March 31, 2014 was 16.9% and 21.8% respectively. The Bank had a market share of approximately 4.4% and 4.7% in total domestic system deposits and advances respectively. Your Bank's Credit Deposit (CD) Ratio was 82.5% as on March 31, 2014.

Business Segments' Update

Consistent with its past performance, your Bank has achieved healthy growth across various operating and financial parameters in the last financial year. This performance reflected the strength and diversity of three primary business franchises -retail banking, wholesale banking and treasury and of its disciplined approach to risk-reward management.

Retail Banking

Your Bank caters to various customer segments with a wide range of products and services. Your Bank is a 'one stop shop' financial services provider of various deposit products, of retail loans (auto loans, personal loans, commercial vehicle loans, mortgages, business banking, loan against gold jewellery etc.), credit cards, debit cards, depository (custody services), bill payments and several transactional services. Apart from its own products, your Bank distributes third party financial products such as mutual funds and life and general insurance.

The growth in your Bank's retail banking business was robust during the financial year ended March 31, 2014. Your Bank's total retail deposits grew by 29.4% to ₹ 287,157 crore in the financial year ended March 31, 2014, driven by retail term deposits which grew faster at 42.7% during the same period. Adjusted for US$ 3.4 billion deposits raised under the RBI window for attracting Foreign Currency Non-Resident (FCNR) deposits, core total retail deposits and retail term deposits growth was 20.0% and 22.8% respectively for the year ended March 31, 2014.

The Bank's retail advances grew 20.8% to ₹ 164,763 crore during the financial year ended March 31, 2014 driven primarily by a growth in personal loans, home loans, mortgage loans and credit cards. Retail advances include loans which fulfill the criteria of orientation, nature of product, granularity and low value of individual exposures for retail exposures as laid down by the Basel Committee. The auto finance business grew at relatively lower pace and commercial transportation finance de-grew in line with the general market conditions.

During this year your Bank expanded its distribution network from 3,062 branches in 1,845 cities / towns as on March 31, 2013 to 3,403 branches in 2,171 cities / towns as on March 31, 2014. Number of ATMs increased from 10,743 to 11,256 during the same period. The Bank's focus on semi-urban and under-banked markets continued, with over 80% of the Bank's new branches in semi-urban and rural areas. The Bank's customer base currently stands at 28.9 million customers.

In order to provide its customers greater choices, flexibility and convenience, your Bank continued to make significant headway in its multichannel servicing strategy, offering its customers the use of ATMs, internet, phone and MobileBanking in addition to its expanded branch network to serve their banking needs. PhoneBanking services are available even for Non Resident Indian (NRI) customers of your Bank across the globe.

Your Bank's MobileBanking product has been developed keeping in mind data connections which can be either 2G or 3G. Technology has played a key role in the push into rural hinterlands. For local customers there are Hindi Mobile App, Hindi SMS Banking and a Toll Free number to carry out basic banking activities. A great response was received on the toll-free service from our customers in Rural and Semi-Urban centres, since they could get instant updates on account balance, last 3 transactions etc through an instant SMS response from the Bank by simply giving a missed call on a toll-free number.

The Bank continued its focus on internal customers for its credit cards portfolio with over 70% of new cards issued to internal customers. During the year, the Bank launched three premium variants of credit cards as part of the Diners brand under an exclusive arrangement with Diners. This will enable the Bank to cater to the specific need of super-premium customers requiring global card benefits. As part of its strategy to drive usage of its credit cards the Bank also has a significant presence in the 'merchant acquiring' business with the total number of point-of-sale (POS) terminals installed at over 215,000.

In addition to the aforementioned products the Bank does home loans in conjunction with HDFC Limited. Under this arrangement the Bank sells loans provided by HDFC Limited through its branches. HDFC Limited approves and disburses the loans, which are booked in their books, with the Bank receiving a sourcing fee for these loans. The Bank has the option but not an obligation to purchase up to 70% (or 55% in case all the loans purchased qualified for priority sector) of the fully disbursed home loans sourced under this arrangement 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. A fee is paid to HDFC Limited for the administration and servicing of the loans. As required by the current securitization guidelines, the loan assignments bought during the year are without credit enhancement. Your Bank originated an average ₹ 1,000 crore of home loans every month in the financial year ended March 31, 2014. During the year, the Bank purchased from HDFC Limited under the “loan assignment” route approximately ₹ 5,560 crore of home loans which also qualified as priority sector advances.

Your Bank also distributes life, general insurance and mutual fund products through its tie-ups with insurance companies and mutual fund houses. Changes in regulations and product mix have adversely impacted fees from these sources, though increase in volumes has offset to some extent the drop in commission rates. Third party distribution income contributes approximately 11% of total fee income for the year ended March 31, 2014, compared to 15% of the total fee income for the previous year.

The Bank’s data warehouse, Customer Relationship Management (CRM) and analytics solutions have helped it target existing and potential customers in a cost effective manner and offer them products appropriate to their profile and needs. Apart from reducing costs of acquisition, this has also helped in deepening of customer relationships and greater efficiency in fraud control and collections activities resulting in lower credit losses. The Bank is committed to investing in advanced technology in this area which will provide a cutting edge in the Bank’s product and service offerings.

Wholesale Banking

Your Bank provides its corporate and institutional clients a wide range of commercial and transactional banking products, backed by high quality service and relationship management. The Bank’s commercial banking business covers not only the top end of the corporate sector but also the emerging corporate segments and small and medium enterprises (SMEs). Your Bank has a number of business groups catering to various segments of its wholesale banking customers with a wide range of banking services covering their working capital, term finance, trade services, cash management, investment banking services, foreign exchange and electronic banking requirements.

Your Bank’s financial institutions and government business group (FIG) offers commercial and transaction banking products to financial institutions, mutual funds, public sector undertakings, central and state government departments. The main focus for this segment remained the offering of various deposit and transaction banking products to this segment besides deepening these relationships by offering funded, non-funded, treasury and foreign exchange products. Your Bank is authorised to collect Direct Taxes & made total collection of ₹ 139,433 crore during the year and was ranked No.2 in terms of total collections made by any bank. Your Bank is also authorised to collect Excise & Service Tax and collected ₹ 53,019 crore, during the year. Governments of 12 States have authorised your Bank to collect State Taxes / duties. These mandates enable a greater convenience to the customers and help the exchequer in mobilizing resources in a seamless manner.

Your Bank’s wholesale deposits grew around 7.8%, while wholesale advances showed a growth of 33.6%. Your Bank provides its customers access to both working capital and term financing. Although the Bank witnessed an increase in the proportion of its medium tenor term lending, working capital loans and short tenor term loans continued to account for a large share of its wholesale advances.

During the financial year ended March 31, 2014, growth in the wholesale banking business continued to be driven by new customer acquisition and higher cross-sell with a focus on optimizing yields and increasing product penetration. Your Bank’s cash management, vendor and distributor (supply chain) finance products continued to be an important contributor to growth in the corporate banking business. Your Bank further consolidated its position as a leading player in the cash management business (CMS) (covering all outstation collection, disbursement and electronic fund transfer products across the Bank’s various customer segments) with volumes of over ₹ 33 trillion. The Bank is one of the front runners in making significant progress in web-enabling its CMS business. The Bank has succeeded in leveraging its market position, expertise and technology to create a competitive advantage and build market share by offering customised solutions. From customised ERP integrations to high end SAP certified solutions, the Bank has been a leading proponent of adopting innovative technology. The Bank continues to be the market leader in cash settlement services for major stock & commodity exchanges in the country.

Your Bank’s Investment Banking Group established itself as a leading player in debt capital markets and is now ranked amongst the top 5 book runners in Rupee corporate loans and bonds. The group arranged financing for client relationships across sectors including telecom, toll roads, steel, energy, LNG terminals, chemicals and cement. The group managed to close ₹ 120 billion worth of corporate bonds across public sector undertakings, financial institutions and corporate clients of the bank. In the advisory business, the Bank advised and closed transactions in capital goods, agrochemicals and BFSI sector. In the capital markets business, Bank advised clients on public offerings and buy-back of shares and is now well positioned to offer the entire gamut of investment banking services.

The Bank met the overall priority sector lending requirement of 40% of net bank credit and also strived for healthy growth in the sub-targets such as weaker sections, direct agriculture, and the micro and SME segments.

International Operations

Your Bank currently has two overseas branches: a wholesale banking branch in Bahrain and a branch in Hong Kong. Your Bank also has three representative offices in Dubai, Abu Dhabi and Kenya. The Bank also has RBI approval to open a branch at DIFC Dubai and the office is likely to be operational in the next year. The overseas branches offer multiple banking services including treasury products, trade finance and loans to customers. The representative offices are engaged in offering wealth management products, remittance facilities and marketing deposits to the non-resident Indian (NRI) community. As of March 31, 2014 the combined balance sheet size of both the overseas branches was over USD 5.0 billion. To capture the one time opportunity offered by RBI in September – November 2013 to commercial banks for raising FCY monies at concessional rupee swap cost, the Bank issued USD 500 million bonds for 3 years through a public deal. In addition, USD 880 million were raised through bilateral loans in international loan market. With the above fund raising along with funds sourced through tie up with other foreign banks and FCNR deposits received directly, the bank raised USD 325 million as tier 1 borrowing and USD 3.4 billion of FCNR deposits, which was approximately 13% of the total inflows into the country under the special RBI window.

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 are driven primarily by spreads on customer transactions based on trade flows and customers' demonstrated hedging needs. The financial year ended March 31, 2014 recorded ₹ 1,401.1 crore revenues from foreign exchange and derivative transactions. These revenues were distributed across large corporate, emerging corporate, business banking and retail customer segments for plain vanilla foreign exchange products and across primarily large corporate 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. The 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 crystallization 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 does not have any open positions or does not assume any market risks but carries only the counterparty credit risk (where the customer has crystallized 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. The Bank recognizes changes in the market value of all derivative instruments (other than those designated as hedges) in the profit and loss account in the period of change. Derivative contracts designated as hedges are not marked to market unless their underlying transaction is marked to market.

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. The Bank is also a Primary Dealer for government securities. As part of this business, as well as otherwise, the Bank holds fixed income securities in the "Held for Trading" (HFT) category.

Information Technology

Your Bank had successfully completed the program to refresh its Retail Core Banking System to the latest technology platform. Continuing with the program from the previous financial year, your Bank migrated the remaining 60% of the Retail Accounts to this new technology platform during the financial year ended March 31, 2014. This new Retail Core Banking System is deployed on a more robust architecture, enabling your Bank to provide more features to its customers and respond faster to business and market needs.

Your Bank continues to make substantial investments in its technology platforms and systems and spread its electronically linked branch network. Your Bank's direct banking platforms continue to be stable and robust, supporting ever increasing transaction volumes, as customers adopt newer self-service technologies.

Over 2,15,000 of your Bank's Point-Of-Sale terminals have been made safer and more secure, following implementation of RBI's security and encryption mandates. Also, RuPay cards are now accepted on these terminals and at Internet merchants enlisted with your Bank.

Your bank had implemented state-of-the-art engineered systems technology for some of the important systems. The capacity of the EFT switch has been upgraded to cater to growing ATM and other payment transaction volumes and enhance scalability. Your Bank has doubled the capacity of its operational Customer Relationship Management system in a very innovative manner, by implementing the latest version of its database engine and has doubled the supported user concurrency.

Live switch-over and switch-back drills of major IT applications have successfully been completed, as part of your Bank's Business Continuity and Disaster Recovery management strategy, thereby enhancing your Bank's readiness in responding to emergency situations. These switch-over and switch-back drills have been successfully completed for the new Retail Core banking System also.

RBI had issued guidelines on Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds and provided recommendations for implementation. Your Bank embarked on a program to implement these guidelines and has since implemented substantial portion of the requirements stated in the guidelines.

Service Quality Initiatives

Your Bank continued its drive towards improvements in service quality across all customer touch points namely branches, ATMs, Phone Banking, Net Banking and email channels. With a view to ensure comprehensive improvement, your Bank extended its service quality initiatives to the back office support functions. Your Bank regularly captures 'voice of customers' and 'voice of employees' and uses those towards simplification of processes to delight customers. Your Bank has also augmented the training and skill development mechanism to empower and equip employees to deliver improved quality of customer service.

Your Bank has taken various steps to improve the effectiveness of its grievance redressal mechanism across its delivery channels. The effectiveness of grievance handling in particular and overall customer service initiatives are periodically reviewed at different levels including by the Board of Directors of the Bank. All these initiatives have helped in consistent reduction in the total number of customer complaints. Your Bank has established a very strong and dispassionate review mechanism for complaint disposal in this year. Review is done by an independent cross functional team of senior staff ensuring unbiased resolution.

As a result of the continued focus on customer service, your Bank has not only received written appreciation from some of the Banking Ombudsmen appointed by the Reserve Bank of India, but has also received many accolades e.g. "Qualtech Award" in the Lean Sigma Project Competition for "Empowering Rural Livelihood: Re-engineering the Kisan Gold Card" (popularly known as 7 DAY KGC) and winner in Best Customer Management Initiative at the IBA Banking Technology Awards to name a few.

Risk Management and Portfolio Quality

Integral to its business, the Bank takes on various types of risk, the most important of which are credit risk, market risk and operational risk. The identification, measurement, monitoring and management of risks remain a key focus area for the Bank. Sound risk management and balancing risk-reward trade-offs are critical to the Bank's success. Business and revenue growth are therefore to be weighed in the context of the risks implicit in the Bank's business strategy. The Board of Directors of your Bank endorses the risk strategy and approves the risk policies. The Risk Policy & Monitoring Committee of the Board supervises implementation of the risk strategy. It guides the development of policies, procedures and systems for managing risk. The Committee periodically reviews risk level and direction, portfolio composition, status of impaired credits as well as limits for treasury operations.

The Bank has a comprehensive centralized risk management function, independent from the operations and business units of the Bank. For credit risk, distinct policies, processes and systems are in place for the retail and wholesale businesses. In the retail loan businesses, the credit cycle is managed through appropriate front-end credit, operational and collection processes. For each product, programs defining customer segments, underwriting standards, security structure etc., 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 and periodic as well as proactive reviews facilitate risk mitigation and management.

The banking industry in India continued to face a challenging environment, reflected in increased rating downgrades, debt restructuring and non-performing assets. Your Bank, however, has been able to maintain a high quality loan book and have relatively low delinquencies. The credit quality in the wholesale segment continued to be stable, supported by tighter credit standards, appropriate credit filters and robust monitoring systems as well as a balanced portfolio. The commercial vehicle and construction equipment segments continued to see some stress due to the ban on mining activity, low industrial growth and slowdown in investment activity. The credit quality of the other retail lending book of the Bank continued to be healthy in line with the expectations. As of March 31, 2014, your Bank's ratio of gross non-performing assets (NPAs) to gross advances was 0.98%. Net non-performing assets (gross non-performing assets less specific loan loss provisions) were 0.3% of net advances as of March 31, 2014. Restructured assets including pipeline cases were 0.2% of gross advances as of March 31, 2014. The specific loan loss provisions that the Bank has made for its non-performing assets continue to be more conservative than the regulatory requirement. In addition, the Bank has made general provisions for standard assets which are as per regulatory prescription. The coverage ratio taking into account specific, general and floating provisions was 176% as of March 31, 2014.

A dedicated team within the risk management function is responsible for assessment, monitoring and reporting of operational risk exposures across the bank. Board approved Operational Risk Management Framework is put in place. A bottom up self-assessment process identifies high risk areas so that bank can initiate timely remedial measures. Key Operational Risk Indicators are employed to alert the bank on impending problems in a timely manner to ensure risk mitigation actions. Material operational risk losses are examined thoroughly to identify areas of risk exposures and gaps in controls basis which appropriate risk mitigating actions are initiated.

Market Risk in the trading portfolio of your Bank has been adequately managed through a well-defined Board approved market risk policy and stringent trading risk limits such as positions limits, gap limits, tenor restrictions; sensitivity limits viz. PV01, Modified Duration and Option Greeks, Value-at-Risk (VaR) limit and Stop Loss Trigger Level (SLTL). The Bank also has an approved investment policy which is adhered while investing or trading. Additionally, Bank has a Board approved stress test policy and framework which encompasses the market risk stress test scenarios and simulations so that stress losses can be measured and adequate control measures can be initiated.

Liquidity risk is the risk that the Bank may not be able to fund increases in assets or meet obligations as they fall due without incurring unacceptable losses. Interest rate risk is the risk where changes in market interest rates affect the Bank's earnings through changes in its net interest income (NII) and the market value of equity through changes in the economic value of its interest rate sensitive assets, liabilities and off-balance sheet positions. The policy framework for liquidity and interest rate risk management is established in the Bank's ALM policy which is guided by regulatory instructions. Your Bank has established various Board approved limits viz., 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) ensures that liquidity risk and interest rate risk are within the tolerance 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.

In accordance with RBI's guidelines, the Bank is currently on the Standardized Approach for Credit Risk, the Basic Indicator Approach for Operational Risk and the Standardized Approach for Market Risk. Parallely, the Bank is progressing with its initiatives for migrating to the advanced approaches for these risks. The framework of the advanced approaches is in harmony with the Bank's objective of adopting best practices in risk management.

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 restricted access to the Bank's computer systems with strong 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. 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 and Compliance Committee of the Board and only a dotted line reporting to the Managing Director. The Audit and Compliance 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

Your Bank continues its endeavors to build a sustainable business philosophy through three platforms namely governance, social responsibility and environmental responsibility.

Your Bank has undertaken several community interventions/projects through the year to create a positive impact on society. These projects take shape in many ways from corporate philanthropy to employee driven projects. The Bank has partnered with over 18 NGOs and over 70,000 lives impacted through our initiatives.

In keeping with its mission for community interventions its projects/programs have largely focused in the areas as outlined below.

Education

Education is one of the building blocks of any nation, one of the core focuses of the CSR strategy is the promotion of education. Your Bank's programs aim at mainstreaming out of school children and strengthening the quality of education. In order to meet these objectives we have initiated a multitude of programs reaching out to about 5,500 students.

1. Integration of out of school children: Integration of first time learners into mainstream education through pre-primaries within the community. In FY 13 -14 we were able to enroll over 1,000 children.

2. Improving the reading and learning ability of children: Through programs such as 'Grow with Books' initiated in 7 Municipal Schools in Pune and the 'Library Projects' in 10 schools in the Kharu block of Leh, your Bank aims to improve the reading and learning ability of the child. Another project aimed to stimulate the cognitive abilities of children exposes them to practical scientific experiences through a 'Mobile Science Lab' The Mobile Lab travels to schools reaching out to over 22,000 children annually.

3. Rehabilitation of children with special needs: In continuation of our inclusive approach we support efforts of mainstreaming/rehabilitation differently abled children with special needs such as physiotherapy treatment, speech therapy etc. In addition to providing ongoing assistance we have also established an Audiology room for children with hearing impairments.

4. Educational assistance: In addition to initiatives that directly impact the learning ability of the child, your Bank also sponsors the educational expenses of disadvantaged or destitute children in institutional care, schools, colleges and professional courses. Currently close to 1,000 students receive educational assistance through direct or institutional support. In addition to these your Bank also differentiates positively in favor of the Girl Child through a special sponsorship for education of the girl child.
5. Special educational sponsorships: Your Bank launched the Educational Crisis Scholarship Support (ECSS) in 2011. ECSS aims to provide assistance to students to tide over difficult situation / personal/family crisis / without any adverse impact on their education. In the year 2013-14, 338 students in schools and colleges were supported for completing their education.

Financial Literacy

Your Bank supports Financial literacy projects in 600 schools across Andhra Pradesh and Odisha, inculcating social and financial habits among students aged 8 to 14. So far we have reached out to over 63,000 students studying in Government schools. In addition through our Sustainable Livelihood Initiative (SLI), Bank also offers non-financial services such as credit counseling and financial literacy training. The Bank also conducts rural financial literacy initiatives across the country to complement its efforts to support inclusive growth. Under its ‘Power of Banking Program’ the Bank continues to train school children on basic concepts of Finance such as the origin of money, role of banks, importance of savings, etc. Driven by employee volunteers, the program covered over 3,300 children in 2013-14.

Training

Your Bank consistently strives to empower and provide occupational training to people at the bottom of the pyramid, which in turn will create employment opportunities for them. Bank's livelihood initiatives are aimed at training and capacity development of youth and women from economically weaker sections of society and to empower them to gain access to opportunities and growth. Bank's livelihood support programs are aimed at empowering competency-based, skill-oriented technical and vocational training.

In continuation of our initiative in Kolar district of Karnataka, the bank extended its support to another batch of 150 students, in the computer, life skill and retail management. 70% of the trainees were successfully placed through industry tie-ups.

In Jharkhand, Bank’s project trained 399 youth in Mobile Repairing, BSPA (Bedside Patient Attendant) and ITES (Information Technology). The project aims to train a second batch of 480 youth and introduce additional courses for Beauticians, Electrical repairing, Driving and Automobile Repairing. Trainees have been successfully placed through the project with salary ranging from ₹ 3,500 to ₹ 5,000 p.m.

In addition over 630 youth have been trained in various skills as part of our Capacity Building programs. We have since inception conducted over 6,088 programs covering 157,646 people.

Community Initiatives

Your Bank has supported a number of need-based projects within the community to make a difference to more than 4,900 lives. These have ranged from infrastructural support to community based campaigns. In response to the water crisis in Maharashtra, the Bank sponsored the constructing of rain water harvesting structures in three villages in Maharashtra. Another project implemented in Mangaon aimed at creating sanitation and water storage facilities for tribal children.

Traffic safety is another concern area we support. We have installed branded boards with messages on traffic safety such as 'Wear a helmet', 'Wear a seatbelt', 'Don't use your mobile while driving', etc. In addition to this, Your Bank has also identified villages across the country where it provides branded message boards for road identification, and social message boards.

One of Bank’s largest community based initiatives is organizing blood donation drives. In 2007, the Bank introduced the idea of a one-day nationwide blood donation drive and encouraged people to support a single social cause across the Bank’s vast network. Engaging the community as a team proved to be an important success factor in the years that followed. The seventh edition of the event was held from December 5, 2013 to December 8, 2013. 86,774 units of blood were collected during the campaign. The HDFC Bank Blood Donation Drive of 2013 set a GUINNESS WORLD RECORD™ as the organizer of the “Largest Blood Donation (across multiple venues) in a single day” in the world. The campaign involved 61,902 participants donating blood at 1,115 camps across 709 locations in India on December 6, 2013.

Response To Disasters:

Your Bank has always responded to the need of those affected by natural disasters such as flood, landslides, drought, etc. During times of crisis the bank has extended its support to provide relief to victims of such disasters and support the rehabilitation efforts of the state.

As a responsible Corporate Citizen Your Bank joined hands to support the victims.

During the landslide and flash floods in Uttarakhand and Orissa, Bank’s employees donated towards relief efforts and the amounts were matched by the Bank.

Bank’s employees joined relief teams in Uttarakhand to distribute Solar Lamps to 22 villages. Having identified lack of health facilities as a major need your Bank has tied-up with an NGO to set up and support the cost of running a primary Healthcare center at Kedar Ghati which will cater to the primary and the secondary healthcare needs of 50 villages.

Employee Volunteering:

Your Bank continues to encourage employees to participate and contribute to society through both time and funds. Through the employee payroll giving program employees continues to donate on a monthly basis. Currently 5,464 employees are active payroll donors. The Bank supports this gesture by donating a matching amount

Structures volunteering activities were created to encourage employees to engage in various acts of charity. The Banks annual volunteering day branded as the 'Make a Difference day' saw an enthusiastic participation of more than 79 teams.

The 'BE-A-SANTA' campaign initiated this year encouraged employees to bring in the New Year by sharing their fortunes. Employees contributed in fulfilling small wishes made by children and senior citizens. Wish Trees bearing wish cards were placed at different locations and employees could choose a wish card and fulfill the wishes.

Sustainable Livelihood Initiative:

Your Bank is committed to reaching out to the unbanked and under banked people at the bottom of the pyramid, particularly in rural India and bringing them into the banking fold. Your Bank's Sustainable Livelihood Initiative has helped empower thousands of people, particularly women, in rural parts of India. Through this initiative, the Bank reaches out to the un-banked and under-banked segment of the population and in doing so, helps as many people as possible at the bottom of the pyramid by providing them with livelihood training and finance.

It involves a holistic approach - from offering training and enhancing occupation skills to providing credit counseling, financial literacy and market linkages - which financially empowers people and brings them into the banking fold. About 9 lac families were covered this year and about 27 lac families have so far benefitted from this initiative.

Environmental Responsibility

Your Bank regards climate change mitigation and environmental improvements as essential elements of a sustainable business. This belief embodies the Bank's approach on reduction of carbon emissions. The Bank has taken various steps to manage GHG emissions, through Multi-channel delivery such as ATMs, PhoneBanking, NetBanking and MobileBanking which have cut down customers' need to commute to our branches.

Your bank has ensured that many of its major locations have energy efficient lighting systems in place.

We have also adopted a 'Phase-out' policy to replace inefficient lighting options and have also started incorporating the use of unconventional energy sources to power our ATMs in areas with fluctuating power supply. Promotion of video conference and video chatting on IP phone has also resulted in reducing travelling and fuel consumption; Bank has also introduced server and desktop Virtualization thereby reducing power consumption.

FINANCIAL INCLUSION

Over the last few years, your Bank has been working on a number of initiatives to promote Financial Inclusion across identified sections of rural and semi urban, under-banked and un-banked consumers. These initiatives target segments of the population that have limited or no access to the formal banking system by building a robust and sustainable model that provides relevant services and viable timely credit that ultimately results in economically uplifting its customers and substitutes borrowings at usurious rates.

Your Bank's initiatives in the rural or deeper geography are dovetailed into its financial inclusion plans and also complements its Corporate Social Responsibility initiative where the endeavor has been to provide banking services which are viable both for the customer and the Bank. As of March 31, 2014 your bank had 318 unbanked branches. The Bank also had 4 one man and 201 two men branches to carry on business in deeper geographies.

Your Bank's financial inclusion initiatives have been integrated across its various businesses, and product groups. As of March 31, 2014 your Bank had brought over 9.5 million households who were hitherto excluded from basic banking services, into the banking fold.

Rural Initiatives

Your Bank offers products and services such as savings, current, fixed and recurring deposits, loans, ATM facilities, investment products such as mutual funds and insurance, electronic funds transfers, drafts and remittances etc. in its branches located in rural and under banked locations. The Bank also leverages some of these branches as hubs for other inclusion initiatives such as direct linkages to self-help groups and to promote Joint Liability Group Loans, POS terminals and information technology enabled kiosks. The Bank covers over 14,000 villages in the country through various distribution set ups, which include branches, bank staff reaching out to the villages and business correspondents. Around 44% of the above mentioned villages have a population of less than 2,000 that have largely been financially excluded from the formal banking sector.

A number of retail credit products such as two-wheeler loans, car loans, mortgages etc. that are consumption products in urban centers happen to be means of income generation for rural consumers. Apart from loans directly linked to agriculture such as pre and post harvest credit, there are many other credit products that the Bank uses to aid financial betterment in rural locations. Your Bank has extended provision of its retail loans to large segments of the rural population where the end use of the products acquired (by availing Bank's loans) is used for income generating activities. For example, loans for tractors, commercial vehicles, two wheelers etc. supplement the farmer's income by improving productivity and reducing expenses.

Basic Banking Saving Deposit and Micro Deposits (BSBDA)

A savings account is the primary requirement for the provision of other banking services; the account promotes the habit of savings, provides security, and inculcates confidence among the target segment in the banking sector.

This product was launched by your Bank with a specific objective to provide customers a platform that enables them to inculcate the habit of savings.

Given the specific segment that is being targeted, namely customers who do not have any other Bank account, this product truly addresses the cause of Financial Inclusion. Additionally the Bank also periodically tracks the behavior in these accounts to ensure that the accounts opened maintain a balance and are active. From current financial year SLI has initiated Overdraft facility on these accounts.

The total number of Basic Banking Saving Deposit accounts was 27.5 lac as of March 31,2014 as against 15.8 lac as of March 31, 2013. Your bank has provided OD facility of ₹ 8.3 lac to 1,384 BSBDA accounts

Agriculture and Allied Activities

A large portion of India's un-banked population relies on agriculture as the main source of livelihood. We believe provision of credit to farmers through various methods that your Bank has employed replaces the traditional money lending channel, while simultaneously providing income generating activities. Your Bank provides various loans to farmers through its suite of specifically designed products such as the Kisan Gold Card, tractor and cattle loans etc. In addition, the Bank offers post-harvest cash credit, warehouse receipt financing and bill discounting facilities to mandi (markets for grain and other agricultural produce) participants and farmers. These facilities enable the mandi participants to make timely payments to farmers. The Bank carries out this business through branches that are located in close proximity to mandis.

The Bank targets specific sectors to capture supply chain of certain crops from the production stage to the sales stage. On the basis of these cashflows, your Bank is able to finance specific needs of the farmers. This model has currently been implemented with dairy and sugarcane farmers. The initiative currently underway includes the appointment of dairy societies and sugarcane co-operatives as business correspondents, through whom the Bank opens accounts of individual farmers attached to these societies. The societies route all payments to the farmers through this account.

The use of appropriate technology is necessary to bring about efficiency in the agri value chain. One such technology initiative is the Milk to Money Terminal (MFT) used in Dairy supply chain. The technology captures milk quality and quantity data at a farmer level each time milk is poured by connecting to the fat tester and weighing machine. It converts this data into an accounting entry instantaneously and credits the farmer's account. The MFT contains a cash dispenser that functions as standard ATM, thus the farmer can withdraw the amount from his account immediately if needed. The transparency in the milk collection process benefits both farmers and corporates as they get data at farmer level accurately and quickly, which enables the corporates to improve farmer productivity through their direct intervention.

Loans against Gold Jewellery

This offering allows customers a reliable source of credit in times of need. In the absence of this product, customers might be unable to access credit or alternatively might avail of credit at much higher rates in the form of unsecured loans from money lenders. Gold loans provide an alternate source of funds by monetising the household gold. It provides financial independence to small traders, small entrepreneurs and housewives. It also substitutes borrowing at usurious rates, particularly by small borrowers and weaker sections.

Small and Micro Enterprises

Your Bank offers complete banking solutions to micro, small and medium scale enterprises across industry segments including manufacturers, retailers, wholesalers / traders and services. The entire suite of financial products including cash credit, overdrafts, term loans, bills discounting, export packing credit, letter of credit, bank guarantees, cash management services and other structured products are made available to these customers. One of the means to financial inclusion is by supporting small and micro enterprises which in turn provide employment opportunities to the financially excluded. Though indirect, we believe this model may in many instances be more effective than providing subsidies that are often unsustainable, or never reach the intended beneficiary.

Promoting Financial Awareness

In addition to providing various products and services to the financially excluded, your Bank believes that imparting education and training to these target segments is equally essential to ensure transparency and create awareness. To this effect the Bank has put in place various training programs. These are conducted by Bank staff in local languages and cover not only the customers but also various intermediaries such as the Bank's business correspondents. Through these programs your Bank provides credit counseling and information on parameters like savings habit, better utilization of savings, features of savings products, credit utilization, asset creation, insurance, income generation program etc. The Bank also facilitates need based capacity building and market place for the customers with the objective of sustaining their livelihood in holistic manner. During the financial year ended March 31, 2014, over 44,000 financial awareness programs covering over 6.5 lac households were conducted by Sustainable Livelihood Initiative, RIG and Branches. These camps are conducted using the RBI prescribed Financial Literacy Material (Posters, Financial Guide and Financial Diary).

HUMAN RESOURCES

Human Resources Development has been a key and constant focus area for your bank. The human resources agenda, that includes within its gamut the attraction and retention of talent, skills development, reward and recognition, performance management and employee engagement are realized through a number of key initiatives, systems and processes.

Employee Development

Performance Management is one of the most critical dimensions pertaining to the management of human resources and the organisation has a comprehensive Performance Management System (PMS) to assess performance. The PMS facilitates the differentiation between the various categories of performance. Higher rewards for higher levels of performance have been a fundamental philosophy of your bank. Apart from rewards, the PMS also allows for identification of training and development needs for employees. Employee development and growth is realized through an array of functional and behavioral programs that your bank conducts throughout the year as well as on the job training. Further your bank lays emphasis in rotating key talent for professional development and growth and building a leadership pipeline for the future.

Rewards and Recognition

Rewards and Recognition play a key role to attract, retain and engage employees. Your Bank is committed to ensure that employees are competitively positioned vis-à-vis market with respect to both fixed as well as variable pay. Your Bank also grants employee stock options to a certain segment of the employee population in order to align employee efforts to the creation of shareholder value. Apart from the standard compensation your Bank also has a well institutionalized recognition program called “Star Awards” to recognize the contribution of employees on an ongoing basis.

Employee Engagement

Fun at work is something your Bank feels should be an integral part of every HDFC Bank employee’s life. Your Bank believes in conducting activities that help individuals showcase their talent or pursue their interests other than work. Your Bank conducted comprehensive sports activities like ‘Josh Unlimited’, a multi-city, multi-discipline sports event held across 15 cities. Stepathlon - a race around a Virtual World is a unique initiative which creates an ecosystem that promotes corporate health, fitness & productivity by increasing daily activities. Your Bank has been the largest participant and has bagged the 'Most Active Company' and the 'Most Active Bank' award for two consecutive years. The Voice Hunt contest in association with Shankar Mahadevan Academy, Sensations - the Bank’s 'In-house musical band contest' and the corporate photography contest were some of the other prominent engagement initiatives.

STATUTORY DISCLOSURES

The information required under Section 217(2A) of the Companies Act, 1956 and the rules made there under as amended, are given in the annexure appended hereto and forms part of this report. In terms of section 219(1)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Bank. The Bank had 68,165 employees as on March 31, 2014. 213 employees employed throughout the year were in receipt of remuneration of more than ₹ 60 lacs per annum and 8 employees employed for part of the year were in receipt of remuneration of more than ₹ 5 lacs per month.

The provisions of Section 217(1)(e) of the Act relating to conservation of energy and technology absorption do not apply to your Bank. The Bank has, however, used information technology extensively in its operations.

The report on Corporate Governance is annexed herewith and forms part of this report.

The Ministry of Corporate Affairs has issued "Corporate Governance Voluntary Guidelines" in December 2009. While these guidelines are recommendatory in nature, the Bank has adopted most of these guidelines as detailed in the Corporate Governance Report. The Bank will examine the possibilities of adopting the remaining guidelines in an appropriate manner.

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

RESPONSIBILITY STATEMENT

The Board of Directors hereby state that

i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii) 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, 2014 and of the profit of the Bank for the year ended on that date;

iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;

iv) We have prepared the annual accounts on a going concern basis.

DIRECTORS

Mr. Keki Mistry and Mrs. Renu Karnad will retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

Mr. Harish Engineer ceased to be a director from the closing hours of business on September 30, 2013 on his retirement from the services as an Executive Director in the whole-time employment of the Bank. Mr. Engineer served the Bank since its inception and played the lead role in setting up and developing the Wholesale Banking Business of the Bank over the years. As the Head of the Wholesale Banking Group, Mr. Engineer has contributed significantly in achieving the growth objectives of the Bank. Your directors wish to place on record their sincere appreciation of the contributions made by Mr. Engineer during his tenure with the Bank.

Mr. Paresh Sukthankar was elevated to the position of Deputy Managing Director by the Board with effect from 24th December 2013 subject to the approval of the shareholders and the Reserve Bank of India. The approval of the shareholders has since been obtained by means of a resolution passed by postal ballot, the results for which were announced on 12th March 2014. The approval of the Reserve Bank of India is awaited.

Mr. Kaizad Bharucha was appointed as an additional director by the Board and designated as an Executive Director in the whole-time employment of the Bank with effect from 24th December 2013 subject to the approval of the shareholders and the Reserve Bank of India. The approval of the shareholders has since been obtained by means of a resolution passed by postal ballot, the results for which were announced on 12th March 2014. The approval of the Reserve Bank of India is awaited.

In terms of the provisions of Section 149 of the Companies Act, 2013 it is proposed to appoint Mr.C.M.Vasudev, Dr. Pandit Palande, Mr.Partho Datta, Mr. Bobby Parikh, Mr. A.N.Roy and Mr.Vijay Merchant as Independent Directors for tenures determined in accordance with the applicable provisions of the Banking Regulation Act, 1949 and the guidelines of the Reserve Bank of India in this regard.

The brief resume/details relating to Directors who are to be appointed/re-appointed as above are furnished in the report on Corporate Governance.

AUDITORS

The Auditors, M/s. BSR & Co., Chartered Accountants have been the Statutory Auditors of the Bank since 2010. As per the regulations of the Reserve Bank of India the same auditors cannot be re-appointed for a period beyond four years. It is proposed to appoint Deloitte Haskins and Sells, LLP as the new Statutory Auditors of the Bank, on an annual remuneration (statutory audit fees) of ₹ 1,10,00,000, plus applicable taxes, subject to the approval of the members and the Reserve Bank of India. Your Directors place on record their sincere appreciation of the professional services rendered by BSR & Co., as Statutory Auditors of the Bank.

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.

On behalf of the Board of Directors

Mr. C. M. Vasudev
Chairman

Mumbai, April 22, 2014

Annexure to Directors' Report for the year ended March 31, 2014

EMPLOYEES' STOCK OPTIONS

ESOP Plan	Options Opening balance FV ₹ 2/-	Options Granted / Options Re-instated FV ₹ 2/-	Options Vested FV ₹ 2/-	Options Exercised & Shares Allotted of ₹ 2/-*	Options Forfeited	Options Lapsed	Total Options in Force as on March 31, 2014
B - 2003	614,500	-	-	547,600	-	66,900	-
C - 2005	705,400	7,017,000	-	705,400	65,000	-	6,952,000
D - 2007	12,058,100	7,085,000	-	5,469,200	30,000	-	13,643,900
E - 2010	51,175,300	32,958,000	8,393,400	11,700,000	922,800	16,200	71,494,300
eCBOP - 2004	206,890	-	-	138,805	-	-	68,085
eCBOP - 2007	682,855	-	-	342,110	-	22,430	318,315
Total	**65,443,045**	**47,060,000**	**8,393,400**	**18,903,115**	**1,017,800**	**105,530**	**92,476,600**

* Excludes 7,28,290 options which were exercised during the period 25th March 2013 to 30th March 2013, for which the shares were allotted on 4th April 2013.

Options exercised during the aforesaid period	18,903,115
Share Capital money received during the above period	37,806,230
Share Premium money received during the above period	7,195,140,605
Perquisite Tax Amount collected during the aforesaid period	1,890,332,502
Total Amount collected during the aforesaid period	9,123,279,337

i. Directors & Senior Managerial Personnel

DETAILS OF OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGERIAL PERSONNEL

Sl No	Employee Name	Grade	No. of Options
1	Aditya Puri	Managing Director	800,000
2	Paresh Sukthankar	Deputy Managing Director	400,000
3	Anil Jaggia	Group Head	200,000
4	Abhay Aima	Group Head	200,000
5	Ashish Parthasarthy	Group Head	200,000
6	Bhavesh Chandulal Zaveri	Group Head	200,000
7	Jimmy M Tata	Group Head	200,000
8	Kaizad Maneck Bharucha	Executive Director	200,000
9	Navin Puri	Group Head	200,000
10	Rajender Sehgal	Group Head	140,000
11	Rahul N Bhagat	Group Head	200,000
12	Sashi Jagdishan	Group Head	200,000
13	Anil Nath	Group Head	200,000
14	Chakrapani Venkatachari	Group Head	200,000
15	Deepak Maheshwari	Group Head	115,000

ii. Other employee who receives a grant in any one year of options amounting to 5% or more of options granted during that year	None
iii. Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of the grant	None

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	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 ₹ 35.2
	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 ₹ 561.3 crore. Consequently profit after tax would have been lower by ₹ 561.3 crore and the basic EPS of the Bank would have been ₹ 33.1 per share (lower by ₹ 2.4 per share) and the diluted EPS would have been ₹ 32.9 per share (lower by ₹ 2.3 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 ₹ 382.6 and the weighted average fair value is ₹ 128.2.
	A description of the method and significant assumptions used during the year to estimate the fair value of options, at the time of the grant including the following weighted average information:	The Securities Exchange Board of India (SEBI) has prescribed two methods to account for stock grants; (i) the intrinsic value method; (ii) the fair value method. The Bank adopts the intrinsic value method to account for the stock options it grants to the employees. The Bank also calculates the fair value of options at the time of grant, using internally developed and tested model with the following assumptions.
i.	Risk-free interest rate	8.21% to 9.08%
ii.	Expected life	1 to 7 years
iii.	Expected volatility	28.57% - 41.52%
iv.	Expected dividends, and	0.81% to 0.83%
v.	The price of the underlying share in the market at the time of option grant	The per share market price was ₹ 680 and ₹ 664.45 at the time of grant of options under ESOS XIX, XX, XXI and ESOS XXII respectively.

Addendum to the Directors' Report

CAPITAL ADEQUACY RATIO

Your Bank has grown consistently over the last several years. Given the market opportunity, in the light of continued economic growth and the Bank's strong positioning in each of its major franchises, it is important that your Bank has adequate capital to support its growth plans. Besides, with RBI's adoption of Basel III requirements, the minimum capital requirements for the Bank will increase in a phased manner over the next few years. Your Bank's capital adequacy ratio was 16.08% as at March 31, 2014 of which Tier-I capital adequacy ratio was 11.77%.

In view of the above your Bank proposes to raise additional capital up to a sum of ₹ 10,000 crore to strengthen its capital adequacy. The proposed issue of capital is subject to the approvals of the Reserve Bank of India and the applicable SEBI regulations and any other government / regulatory approvals as may be required in this regard.

FOREIGN SHAREHOLDING

Pursuant to the Foreign Exchange Management Act, 1999 ("FEMA") and the various regulations framed thereunder, as well as the provisions of consolidated FDI Policy issued by the Government of India, Ministry of Commerce & Industry, Department of Industrial Policy and Promotion, the total foreign investment permitted in a private sector bank is 74%, within which the cap on aggregate foreign investment by Foreign Institutional Investors (FII) in a bank has been stipulated at 24%. This may be enhanced by way of a special resolution of the shareholders of the concerned bank to 49%, which your Bank has already done.

Your Bank has made ADR / GDR issues amounting to 18.55% of its paid-up share capital, which have been approved by the resolutions of shareholders passed before such issues from time to time and in accordance with the FDI Policy prevailing at the time of such issues. These issues are classified as Foreign Direct Investments (FDIs).

The total FII and FDI limit available for foreign investments in your Bank thus aggregate to 67.55 % of its paid-up share capital. The FDI policy permits maximum foreign investments in banks up to the limit of 74% of their paid-up share capital. In line with its capital raising plan, your Bank also proposes to seek necessary enabling shareholder approvals for increasing the aggregate foreign investment limit (inclusive of FII, FDI and indirect foreign investment) up to the permitted level of 74% of its paid-up share capital.

On behalf of the Board of Directors

Mr. C. M. Vasudev
Chairman

Mumbai, May 19, 2014

Independent Auditor's Report

To the Members of HDFC Bank Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of HDFC Bank Limited ('the Bank'), which comprise the Balance Sheet as at 31 March 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956 and circulars and guidelines issued by Reserve Bank of India from time to time. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of the Bank including its branches and central processing units in accordance with Standards on Auditing ('the Standards') issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India:

   (a) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31 March 2014;

   (b) in the case of the Statement of Profit and Loss, of the profit of the Bank for the year ended on that date; and

   (c) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. The Balance Sheet and the Statement of Profit and Loss have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.

8. We report that:

   (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

   (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

(c) during the course of our audit we have visited 36 branches. Since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally and at the central processing units, as all the necessary records and data required for the purposes of our audit are available therein.

9. In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by Reserve Bank of India.

10. We further report that:

(i) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

(ii) the financial accounting systems of the Bank are centralised and, therefore, returns are not necessary to be submitted by the branches;

(iii) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books; and

(iv) on the basis of written representations received from the Directors and taken on record by the Board of Directors, none of the Directors are disqualified as on 31 March 2014 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.: 101248W

Akeel Master
Partner
Membership No.: 046768

Mumbai
April 22, 2014

Balance Sheet

As at March 31, 2014

₹ in '000

	Schedule	As at 31-Mar-14	As at 31-Mar-13
CAPITAL AND LIABILITIES			
Capital	1	**4,798,101**	4,758,838
Reserves and surplus	2	**429,988,169**	357,382,646
Deposits	3	**3,673,374,777**	2,962,469,846
Borrowings	4	**394,389,918**	330,065,972
Other liabilities and provisions	5	**413,444,042**	348,641,671
	Total	**4,915,995,007**	4,003,318,973
ASSETS			
Cash and balances with Reserve Bank of India	6	**253,456,277**	146,273,990
Balances with banks and money at call and short notice	7	**142,380,101**	126,527,699
Investments	8	**1,209,510,703**	1,116,135,953
Advances	9	**3,030,002,712**	2,397,206,432
Fixed assets	10	**29,399,180**	27,030,813
Other assets	11	**251,246,034**	190,144,086
	Total	**4,915,995,007**	4,003,318,973
Contingent liabilities	12	**7,231,549,138**	7,201,224,293
Bills for collection		**209,430,623**	261,039,630
Significant accounting policies and notes to the financial statements	17 & 18		
The schedules referred to above form an integral part of the Balance Sheet.			

As per our report of even date.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W

Akeel Master
Partner
Membership No.: 046768

Mumbai, April 22, 2014

For and on behalf of the Board

C. M. Vasudev
Chairman

Paresh Sukthankar
Deputy Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Aditya Puri
Managing Director

Kaizad Bharucha
Executive Director

Sashidhar Jagdishan
Chief Financial Officer

Bobby Parikh
Partho Datta
Pandit Palande
Vijay Merchant
Keki Mistry
Renu Karnad
Directors

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Statement of Profit and Loss

For the year ended March 31, 2014

₹ in '000

		Schedule	Year Ended 31-Mar-14	Year Ended 31-Mar-13
I	**INCOME**			
	Interest earned	13	**411,355,336**	350,648,736
	Other income	14	**79,196,415**	68,526,226
		Total	**490,551,751**	419,174,962
II	**EXPENDITURE**			
	Interest expended	15	**226,528,999**	192,537,521
	Operating expenses	16	**120,421,981**	112,361,165
	Provisions and contingencies		**58,817,010**	47,013,428
		Total	**405,767,990**	351,912,114
III	**PROFIT**			
	Net profit for the year		**84,783,761**	67,262,848
	Balance in Profit and Loss account brought forward		**111,321,846**	83,996,470
		Total	**196,105,607**	151,259,318
IV	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		**21,195,941**	16,815,712
	Proposed dividend		**16,433,495**	13,090,810
	Tax (including cess) on dividend		**2,792,873**	2,224,783
	Dividend (including tax / cess thereon) pertaining to previous year paid during the year		**48,462**	44,748
	Transfer to General Reserve		**8,478,376**	6,726,285
	Transfer to Capital Reserve		**582,710**	858,498
	Transfer to / (from) Investment Reserve Account		**32,218**	176,636
	Balance carried over to Balance Sheet		**146,541,532**	111,321,846
		Total	**196,105,607**	151,259,318
V	**EARNINGS PER EQUITY SHARE (Face value ₹ 2 per share)**		₹	₹
	Basic		**35.47**	28.49
	Diluted		**35.21**	28.18
	Significant accounting policies and notes to the financial statements	17 & 18		
	The schedules referred to above form an integral part of the Statement of Profit and Loss.			

As per our report of even date.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W

Akeel Master
Partner
Membership No.: 046768

Mumbai, April 22, 2014

For and on behalf of the Board

C. M. Vasudev
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Chief Financial Officer

Bobby Parikh
Partho Datta
Pandit Palande
Vijay Merchant
Keki Mistry
Renu Karnad
Directors

Cash Flow Statement

For the year ended March 31, 2014

₹ in '000

Particulars	Year Ended 31-Mar-14	Year Ended 31-Mar-13
Cash flows from operating activities		
Net profit before income tax	**127,720,506**	97,506,268
Adjustments for :		
Depreciation on fixed assets	**6,716,076**	6,516,663
(Profit) / loss on revaluation of investments	**(65,078)**	(348,627)
Amortisation of premia on held to maturity investments	**806,470**	582,183
(Profit) / loss on sale of fixed assets	**(33,019)**	10,566
Provision / charge for non performing assets	**17,526,727**	13,131,395
Provision / charge for diminution in value of investment	**(41,196)**	522,145
Floating provisions	**300,000**	4,000,000
Provision for standard assets	**2,212,886**	1,237,140
Provision for wealth tax	**7,500**	6,000
Contingency provisions	**(2,924,758)**	(1,337,374)
	152,226,114	121,826,359
Adjustments for :		
(Increase) / decrease in investments	**(86,209,196)**	(142,070,919)
(Increase) / decrease in advances	**(650,494,318)**	(455,574,678)
Increase / (decrease) in deposits	**710,904,931**	495,405,387
(Increase) / decrease in other assets	**(63,728,736)**	33,698,441
Increase / (decrease) in other liabilities and provisions	**61,447,568**	(34,603,665)
	124,146,363	18,680,925
Direct taxes paid (net of refunds)	**(40,510,341)**	(37,368,738)
Net cash flow from operating activities	**83,636,022**	(18,687,813)
Cash flows used in investing activities		
Purchase of fixed assets	**(8,174,144)**	(8,631,976)
Proceeds from sale of fixed assets	**127,266**	43,136
Investment in subsidiaries and / or joint ventures	**(7,865,750)**	-
Net cash used in investing activities	**(15,912,628)**	(8,588,840)

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Cash Flow Statement

For the year ended March 31, 2014

₹ in '000

Particulars	Year Ended 31-Mar-14	Year Ended 31-Mar-13
Cash flows from financing activities		
Money received on exercise of stock options by employees	**7,232,947**	11,171,000
Increase / (decrease) in borrowings (excluding subordinate debt, perpetual debt and upper tier II instruments)	**63,760,946**	36,789,886
Proceeds from issue of upper & lower Tier II capital instruments	**-**	54,470,000
Dividend paid during the year	**(13,134,876)**	(10,130,544)
Tax on dividend	**(2,229,179)**	(1,641,937)
Net cash generated from financing activities	**55,629,838**	90,658,405
Effect of exchange fluctuation on translation reserve	**(318,543)**	42,673
Net increase / (decrease) in cash and cash equivalents	**123,034,689**	63,424,426
Cash and cash equivalents as at April 1st	**272,801,689**	209,377,263
Cash and cash equivalents as at March 31st	**395,836,378**	272,801,689

As per our report of even date.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W

Akeel Master
Partner
Membership No.: 046768

Mumbai, April 22, 2014

For and on behalf of the Board

C. M. Vasudev
Chairman

Paresh Sukthankar
Deputy Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

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Sashidhar Jagdishan
Chief Financial Officer

Bobby Parikh
Partho Datta
Pandit Palande
Vijay Merchant
Keki Mistry
Renu Karnad
Directors

As at March 31, 2014

₹ in '000

		As at 31-Mar-14	As at 31-Mar-13
SCHEDULE 1 - CAPITAL			
Authorised capital			
2,75,00,00,000 (31 March, 2013 : 2,75,00,00,000) Equity Shares of ₹ 2/- each		**5,500,000**	5,500,000
Issued, subscribed and paid-up capital			
2,39,90,50,435 (31 March, 2013 : 2,37,94,19,030) Equity Shares of ₹ 2/- each		**4,798,101**	4,758,838
	Total	**4,798,101**	4,758,838
SCHEDULE 2 - RESERVES AND SURPLUS			
I **Statutory reserve**			
Opening balance		**69,908,483**	53,092,771
Additions during the year		**21,195,941**	16,815,712
	Total	**91,104,424**	69,908,483
II **General reserve**			
Opening balance		**26,129,001**	19,402,716
Additions during the year		**8,478,376**	6,726,285
	Total	**34,607,377**	26,129,001
III **Balance in profit and loss account**		**146,541,532**	111,321,846
IV **Share premium account**			
Opening balance		**135,148,961**	124,261,852
Additions during the year		**7,415,134**	10,887,109
	Total	**142,564,095**	135,148,961
V **Amalgamation reserve**			
Opening balance		**10,635,564**	10,635,564
Additions during the year		**-**	-
	Total	**10,635,564**	10,635,564
VI **Capital reserve**			
Opening balance		**3,813,175**	2,954,677
Additions during the year		**582,710**	858,498
	Total	**4,395,885**	3,813,175
VII **Investment reserve account**			
Opening balance		**176,636**	-
Additions during the year		**342,831**	231,802
Deductions during the year		**(310,612)**	(55,166)
	Total	**208,855**	176,636
VIII **Foreign currency translation account**			
Opening balance		**248,980**	206,308
Additions / (deductions) during the year		**(318,543)**	42,672
	Total	**(69,563)**	248,980
	Total	**429,988,169**	357,382,646

As at March 31, 2014

		₹ in '000
	As at 31-Mar-14	As at 31-Mar-13
SCHEDULE 3 - DEPOSITS		
A I Demand deposits		
(i) From banks	**12,169,991**	10,385,135
(ii) From others	**602,710,457**	512,717,671
Total	**614,880,448**	523,102,806
II Savings bank deposits	**1,031,333,207**	882,112,454
III Term deposits		
(i) From banks	**15,422,987**	14,278,854
(ii) From others	**2,011,738,135**	1,542,975,732
Total	**2,027,161,122**	1,557,254,586
Total	**3,673,374,777**	2,962,469,846
B I Deposits of branches in India	**3,612,313,174**	2,946,407,245
II Deposits of branches outside India	**61,061,603**	16,062,601
Total	**3,673,374,777**	2,962,469,846
SCHEDULE 4 - BORROWINGS		
I Borrowings in India		
(i) Reserve Bank of India	**-**	2,750,000
(ii) Other banks	**14,937,256**	7,246,758
(iii) Other institutions and agencies	**-**	24,390,200
(iv) Upper and lower Tier II capital and innovative perpetual debts	**160,439,000**	160,439,000
Total	**175,376,256**	194,825,958
II Borrowings outside India*	**219,013,662**	135,240,014
Total	**394,389,918**	330,065,972

** Includes Upper Tier II debt of ₹ 599.15 crore (previous year : ₹ 542.85 crore)*
Secured borrowings included in I & II above : Nil (previous year : Nil)

	As at 31-Mar-14	As at 31-Mar-13
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I Bills payable	**56,112,013**	54,787,708
II Interest accrued	**25,918,488**	62,714,315
III Others *(including provisions)*	**299,581,788**	205,466,652
IV Contingent provisions against standard assets	**12,605,385**	10,357,403
V Proposed dividend *(including tax on dividend)*	**19,226,368**	15,315,593
Total	**413,444,042**	348,641,671

As at March 31, 2014

		As at 31-Mar-14	₹ in '000 As at 31-Mar-13
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA			
I Cash in hand (including foreign currency notes)		**38,505,015**	50,077,236
II Balances with Reserve Bank of India :			
(a) In current accounts		**212,951,262**	94,196,754
(b) In other accounts		**2,000,000**	2,000,000
	Total	**214,951,262**	96,196,754
	Total	**253,456,277**	146,273,990
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I In India			
(i) Balances with banks :			
(a) In current accounts		**1,746,554**	3,238,144
(b) In other deposit accounts		**21,201,113**	46,635,317
	Total	**22,947,667**	49,873,461
(ii) Money at call and short notice :			
(a) With banks		**1,000,000**	17,850,000
(b) With other institutions		**15,366,745**	-
	Total	**16,366,745**	17,850,000
	Total	**39,314,412**	67,723,461
II Outside India			
(i) In current accounts		**40,154,939**	5,876,363
(ii) In deposit accounts		**2,995,750**	8,142,750
(iii) Money at call and short notice		**59,915,000**	44,785,125
	Total	**103,065,689**	58,804,238
	Total	**142,380,101**	126,527,699
SCHEDULE 8 - INVESTMENTS			
A Investments in India in			
(i) Government securities		**946,400,171**	849,023,184
(ii) Other approved securities		**-**	-
(iii) Shares		**1,347,904**	1,244,692
(iv) Debentures and bonds		**27,143,837**	17,260,637
(v) Subsidiaries / joint ventures		**15,413,909**	7,548,159
(vi) Others (units, CDs / CPs, PTCs, security receipts and NABARD deposits)		**209,989,161**	236,028,115
	Total	**1,200,294,982**	1,111,104,787
B Investments outside India in			
Other investments			
(a) Shares		**9,396**	9,396
(b) Debentures and bonds		**9,206,325**	5,021,770
	Total	**9,215,721**	5,031,166
	Total	**1,209,510,703**	1,116,135,953

As at March 31, 2014

₹ in '000

			As at 31-Mar-14	As at 31-Mar-13
C	**Investments**			
	(i) Gross value of investments			
	(a) In India		**1,202,029,358**	1,113,472,422
	(b) Outside India		**9,215,721**	5,031,166
		Total	**1,211,245,079**	1,118,503,588
	(ii) Provision for depreciation			
	(a) In India		**1,734,376**	2,367,635
	(b) Outside India		**-**	-
		Total	**1,734,376**	2,367,635
	(iii) Net value of investments			
	(a) In India		**1,200,294,982**	1,111,104,787
	(b) Outside India		**9,215,721**	5,031,166
		Total	**1,209,510,703**	1,116,135,953

SCHEDULE 9 - ADVANCES

			As at 31-Mar-14	As at 31-Mar-13
A	(i) Bills purchased and discounted		**146,469,089**	123,219,205
	(ii) Cash credits, overdrafts and loans repayable on demand		**1,232,781,559**	945,869,566
	(iii) Term loans		**1,650,752,064**	1,328,117,661
		Total	**3,030,002,712**	2,397,206,432

Loans with tenor of less than one year are classified under A (ii) above

			As at 31-Mar-14	As at 31-Mar-13
B	(i) Secured by tangible assets*		**2,308,167,862**	1,766,063,990
	(ii) Covered by bank / government guarantees		**41,688,328**	61,551,311
	(iii) Unsecured		**680,146,522**	569,591,131
		Total	**3,030,002,712**	2,397,206,432

** Including advances against book debts*

			As at 31-Mar-14	As at 31-Mar-13
C	I Advances in India			
	(i) Priority sector		**896,128,736**	767,430,252
	(ii) Public sector		**124,180,757**	84,217,368
	(iii) Banks		**1,177,248**	917,007
	(iv) Others		**1,775,580,461**	1,448,683,315
		Total	**2,797,067,202**	2,301,247,942
	II Advances outside India			
	(i) Due from banks		**7,469,539**	18,469,102
	(ii) Due from others			
	(a) Bills purchased and discounted		**177,402**	409,362
	(b) Syndicated loans		**21,134,880**	13,623,839
	(c) Others		**204,153,689**	63,456,187
		Total	**232,935,510**	95,958,490
		Total	**3,030,002,712**	2,397,206,432

Advances are net of provisions

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As at March 31, 2014

₹ in '000

			As at 31-Mar-14	As at 31-Mar-13
SCHEDULE 10 - FIXED ASSETS				
A	**Premises** (including land)			
	Gross block			
	At cost on 31 March of the preceding year		**11,642,619**	10,519,897
	Additions during the year		**2,637,812**	1,140,440
	Deductions during the year		**(110,771)**	(17,718)
		Total	**14,169,660**	11,642,619
	Depreciation			
	As at 31 March of the preceding year		**2,916,893**	2,488,876
	Charge for the year		**501,047**	443,998
	On deductions during the year		**(80,762)**	(15,981)
		Total	**3,337,178**	2,916,893
	Net block		**10,832,482**	8,725,726
B	**Other fixed assets** (including furniture and fixtures)			
	Gross block			
	At cost on 31 March of the preceding year		**52,464,978**	44,235,581
	Additions during the year		**6,544,363**	8,990,318
	Deductions during the year		**(667,757)**	(760,921)
		Total	**58,341,584**	52,464,978
	Depreciation			
	As at 31 March of the preceding year		**34,159,891**	28,794,662
	Charge for the year		**6,218,514**	6,074,183
	On deductions during the year		**(603,519)**	(708,954)
		Total	**39,774,886**	34,159,891
	Net block		**18,566,698**	18,305,087
C	**Assets on lease** (plant and machinery)			
	Gross block			
	At cost on 31 March of the preceding year		**4,546,923**	4,546,923
	Additions during the year		**-**	-
		Total	**4,546,923**	4,546,923

As at March 31, 2014

₹ in '000

			As at 31-Mar-14	As at 31-Mar-13
	Depreciation			
	As at 31 March of the preceding year		**4,104,467**	4,104,467
	Charge for the year		**-**	-
		Total	**4,104,467**	4,104,467
	Lease adjustment account			
	As at 31 March of the preceding year		**442,456**	442,456
	Charge for the year		**-**	-
		Total	**442,456**	442,456
	Unamortised cost of assets on lease		**-**	-
		Total	**29,399,180**	27,030,813
SCHEDULE 11 - OTHER ASSETS				
I	Interest accrued		**45,949,256**	39,209,326
II	Advance tax / tax deducted at source (net of provisions)		**12,687,606**	15,789,085
III	Stationery and stamps		**202,985**	165,999
IV	Non banking assets acquired in satisfaction of claims		-	-
V	Bond and share application money pending allotments		**9,029**	29,333
VI	Security deposit for commercial and residential property		**3,728,696**	4,062,868
VII	Others*		**188,668,462**	130,887,475
		Total	**251,246,034**	190,144,086

**Includes deferred tax asset (net) of ₹ 1,859.51 crore (previous year: ₹ 1,904.85 crore)*

			As at 31-Mar-14	As at 31-Mar-13
SCHEDULE 12 - CONTINGENT LIABILITIES				
I	Claims against the bank not acknowledged as debts - taxation		**8,309,000**	9,349,100
II	Claims against the bank not acknowledged as debts - others		**825,707**	3,975,400
III	Liability on account of outstanding forward exchange contracts		**4,753,861,196**	4,467,860,687
IV	Liability on account of outstanding derivative contracts		**2,009,620,394**	2,292,213,027
V	Guarantees given on behalf of constituents :			
	- In India		**210,323,779**	162,354,571
	- Outside India		**35,915,763**	3,993,576
VI	Acceptances, endorsements and other obligations		**192,095,251**	220,595,426
VII	Other items for which the bank is contingently liable		**20,598,048**	40,882,506
		Total	**7,231,549,138**	7,201,224,293

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For the year ended March 31, 2014

₹ in '000

			Year ended 31-Mar-14	Year ended 31-Mar-13
SCHEDULE 13 - INTEREST EARNED				
I	Interest / discount on advances / bills		**316,869,165**	268,223,935
II	Income from investments		**90,368,457**	78,202,586
III	Interest on balance with RBI and other inter-bank funds		**3,559,920**	2,816,311
IV	Others		**557,794**	1,405,904
		Total	**411,355,336**	350,648,736
SCHEDULE 14 - OTHER INCOME				
I	Commission, exchange and brokerage		**57,349,490**	51,669,046
II	Profit / (loss) on sale of investments (net)		**1,039,436**	1,264,352
III	Profit / (loss) on revaluation of investments (net)		**65,078**	348,627
IV	Profit / (loss) on sale of building and other assets (net)		**33,019**	(10,566)
V	Profit / (loss) on exchange / derivative transactions (net)		**14,010,614**	10,101,338
VI	Income earned by way of dividends from subsidiaries / companies and / or joint ventures abroad / in India		**9,600**	7,693
VII	Miscellaneous income		**6,689,178**	5,145,736
		Total	**79,196,415**	68,526,226
SCHEDULE 15 - INTEREST EXPENDED				
I	Interest on deposits		**190,481,554**	163,206,243
II	Interest on RBI / inter-bank borrowings		**35,362,147**	28,889,728
III	Other interest		**685,298**	441,550
		Total	**226,528,999**	192,537,521
SCHEDULE 16 - OPERATING EXPENSES				
I	Payments to and provisions for employees		**41,789,795**	39,653,843
II	Rent, taxes and lighting		**9,233,001**	8,406,573
III	Printing and stationery		**2,731,744**	3,108,216
IV	Advertisement and publicity		**1,435,610**	1,841,294
V	Depreciation on bank's property		**6,716,076**	6,516,663
VI	Directors' fees, allowances and expenses		**8,226**	7,111
VII	Auditors' fees and expenses		**13,368**	14,612
VIII	Law charges		**793,102**	509,569
IX	Postage, telegram, telephone etc.		**4,172,410**	4,023,604
X	Repairs and maintenance		**7,882,522**	7,665,309
XI	Insurance		**3,414,706**	2,877,862
XII	Other expenditure*		**42,231,421**	37,736,509
		Total	**120,421,981**	112,361,165

** Includes marketing expenses, professional fees, commission to sales agents, travel and hotel charges, entertainment, registrar and transfer agency fees and system management fees.*

For the year ended March 31, 2014

Schedule 17 - Significant accounting policies appended to and forming part of the financial statements for the year ended March 31, 2014.

A BACKGROUND

HDFC Bank Limited (‘HDFC Bank’ or ‘the Bank’), incorporated in Mumbai, India is a publicly held banking company engaged in providing a range of banking and financial services including commercial banking and treasury operations. The Bank is governed by the Banking Regulation Act, 1949. The Bank has overseas branch operations in Bahrain and Hong Kong.

B BASIS OF PREPARATION

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India (‘GAAP’), statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by the Reserve Bank of India (‘RBI’) from time to time, Accounting Standards (‘AS’) notified under the Companies (Accounting Standard) Rules, 2006 to the extent applicable and current practices prevailing within the banking industry in India.

Use of estimates :

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

C PRINCIPAL ACCOUNTING POLICIES

1 Investments

Classification :

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

Recording purchase and sale transactions in securities is done following ‘Settlement Date’ accounting, except in the case of equity shares where ‘Trade Date’ accounting is followed.

Basis of classification :

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

Acquisition cost :

In determining acquisition cost of an investment :

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

Disposal of investments :

Profit / Loss on sale of investments under the aforesaid three categories is recognised in the Statement of Profit and Loss. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve is appropriated from Statement of Profit and Loss to “Capital Reserve” in accordance with the RBI guidelines.

Short sale :

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

Valuation :

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

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

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

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

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

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

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

Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments, are valued at carrying cost.

Security receipts are valued as per the Net Asset Value provided by the issuing Asset Reconstruction Company from time to time.

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

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

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

Repo and reverse repo transactions :

In accordance with the RBI guidelines Repo and Reverse Repo transactions in government securities and corporate debt securities (excluding transactions conducted under Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI) are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.

In respect of repo transactions under LAF and MSF with RBI, amount borrowed from RBI is credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of reverse repo transactions under LAF, amount lent to RBI is debited to investment account and reversed on maturity of the transaction. Revenues thereon are accounted for as interest income.

2 Advances

Classification :

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

Provisioning :

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

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

Recoveries from bad debts written-off are recognised in the Statement of Profit and Loss and included under Other Income.

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

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

Provisions made in excess of these regulatory requirements or provisions which are not made with respect to specific non-performing assets are categorised as floating provisions. Creation of floating provisions is considered by the Bank up to a level approved by the Board of Directors. In accordance with the RBI guidelines and as per policy approved by the Board, floating provisions are not reversed by credit to Statement of Profit and Loss. Floating provisions are used only for contingencies under extraordinary circumstances wherein these are used for making specific provisions for impaired accounts. Floating provisions have been included under Other Liabilities.

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

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

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

3 Securitisation and transfer of assets

The Bank securitises out its receivables, subject to the minimum holding period ('MHP') criteria and the minimum retention requirements ('MRR') of RBI, to Special Purpose Vehicles ('SPVs') in securitisation transactions. Such securitised-out receivables are de-recognised in the balance sheet when they are sold (true sale criteria being fully met with) and consideration is received by the Bank. Sales / transfers that do not meet these criteria for surrender of control are accounted for as secured borrowings. In respect of receivable pools securitised-out, the Bank provides liquidity and credit enhancements, as specified by the rating agencies, in the form of cash collaterals / guarantees and / or by subordination of cash flows, not exceeding 20% of the total securitised instruments, in line with RBI guidelines. The Bank also acts as a servicing agent for receivable pools securitised-out.

The Bank also enters into transactions for transfer of standard assets through the direct assignment of cash flows, which are similar to asset-backed securitisation transactions through the SPV route, except that such portfolios of receivables are assigned directly to the purchaser and are not represented by Pass through Certificates ('PTCs'), subject to the RBI prescribed MHP criteria and the MRR. The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines.

Pursuant to these guidelines, the Bank amortises any profit received in cash for every individual securitisation or direct assignment transaction at the end of every financial year. This amortisation is calculated as the maximum of either of the three parameters stated below :

- the losses incurred on the portfolio, including marked-to-market losses in case of securitisation transactions, specific provisions, if any, and direct write-offs made on the MRR and any other exposures to the securitisation transaction (other than credit enhancing interest only strip); or
- the amount of unamortised cash profit at the beginning of the year multiplied by the amount of principal amortised during the year as a proportion to the amount of unamortised principal at the beginning of the year; or
- the amount of unamortised cash profit at the beginning of the year divided by residual maturity of the securitisation or the direct assignment transaction.

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

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

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

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the Statement of Profit and Loss. If the sale is for a value higher than the net book value, the excess provision is not reversed but is utilised to meet the shortfall / loss on account of sale of other non-performing advances. The RBI issued new guidelines on sale of non-performing advances on February 26, 2014. In accordance with these guidelines, if the sale of non-performing advances is at a price below the net book value, the shortfall is charged to the Statement of Profit and Loss spread over a period of two years. If the sale is for a value higher than the net book value, the excess provision is credited to the Statement of Profit and Loss in the year the amounts are received.

The Bank invests in PTCs issued by other SPVs. These are accounted for at the deal value and are classified as investments. The Bank also buys loans through the direct assignment route which are classified as advances. These are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised based on effective interest rate (EIR) method.

4 Fixed assets and depreciation

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

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. The rates of depreciation are not lower than the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation rates for certain key fixed assets are given below :

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

- Improvements to lease hold premises are charged off over the remaining primary period of lease.
- Items (excluding staff assets) costing less than ₹ 5,000 and point of sale terminals are fully depreciated in the year of purchase.

- All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956.
- For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Bank.
- The Bank undertakes assessment of the useful life of an asset at periodic intervals taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, etc. Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.

5 Impairment of assets

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

6 Transactions involving foreign exchange

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

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

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

Foreign exchange spot and forward contracts outstanding as at the balance sheet date and held for trading, are revalued at the closing spot and forward rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities. The contracts for longer maturities i.e. greater than one year are revalued using MIFOR (Mumbai Interbank Forward Offer Rate) and contracts with USD-INR currency pair are valued using USD LIBOR (London Interbank Offered Rate) rates. For other currency pairs, the forward points (as published by FEDAI) are extrapolated. The resulting profit or loss on valuation is recognised in the Statement of Profit and Loss.

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

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

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

7 Derivative contracts

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

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

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

8 Revenue recognition

Interest income is recognised in the Statement of Profit and Loss on an accrual basis, except in the case of non-performing assets where it is recognised upon realisation as per RBI norms.

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

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

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

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

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

Guarantee commission, commission on Letter of Credit, annual locker rent fees and annual fees for credit cards are recognised on a straight line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the Bank is uncertain of ultimate collection.

9 Employee benefits

Employee Stock Option Scheme (‘ESOS’)

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

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

Gratuity

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

The defined gratuity benefit plans are valued by an independent actuary as at the balance sheet date using the projected unit credit method as per the requirement of AS-15 (Revised 2005), Employee Benefits, to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognised in the Statement of Profit and Loss.

Superannuation

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

Provident fund

In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund. The Bank contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary). Of this, the Bank contributes an amount equal to 8.33% of employee's basic salary up to a maximum salary level of ₹ 6,500/- per month, to the Pension Scheme administered by the Regional Provident Fund Commissioner ('RPFC'). The balance amount is contributed to a fund set up by the Bank and administered by a board of trustees. In respect of eCBoP employees, employer's and employee's share of contribution to Provident Fund till March 2009, was administered by RPFC and from April 2009 onwards, the same is transferred to the fund set up by the Bank and administered by the board of trustees. In respect of eLKB employees, the Bank contributes to a fund set up by eLKB and administered by a board of trustees. The Bank recognises such contributions as an expense in the year in which it is incurred. Interest payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act 1952 and shortfall, if any, shall be made good by the Bank.

The guidance note on implementing AS-15 (revised 2005), Employee Benefits, states that benefits involving employer established provident funds, which require interest shortfalls to be provided, are to be considered as defined benefit plans. Actuarial valuation of this Provident Fund interest shortfall is done as per the guidance note issued in this respect by the Actuary Society of India and provision towards this liability is made.

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

Leave encashment / Compensated absences

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

Pension

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

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

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

10 Debit and credit cards reward points

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

11 Bullion

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

The Bank also sells bullion to its retail customers. The difference between the sale price to customers and actual price quoted by supplier is recorded under commission income.

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

12 Lease accounting

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

13 Income tax

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

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

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

14 Earnings per share

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

15 Segment Information

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

16 Accounting for provisions, contingent liabilities and contingent assets

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

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

A disclosure of contingent liability is made when there is :

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

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

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

17 Cash and cash equivalents

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

For the year ended March 31, 2014

Schedule 18 - Notes forming part of the Financial Statements for the year ended March 31, 2014

Amounts in Notes forming part of the Financial Statements for the year ended March 31, 2014 are denominated in Rupees crore to conform to extant RBI guidelines.

1 Capital adequacy

The Bank's Capital to Risk-weighted Asset Ratio ('Capital Adequacy Ratio') as on March 31, 2014 is calculated in accordance with the RBI's guidelines on Basel III capital regulations ('Basel III') which were effective April 1, 2013. The minimum capital requirement under Basel III will be phased-in as follows :

Minimum ratio of capital to risk-weighted assets	As on April 1, 2013	As on March 31					
		2014	2015	2016	2017	2018	2019
Common equity tier I ratio	4.5%	5.0%	5.5%	5.5%	5.5%	5.5%	5.5%
Capital conservation buffer	-	-	-	0.625%	1.25%	1.875%	2.5%
Tier I capital ratio	6.0%	6.5%	7.0%	7.0%	7.0%	7.0%	7.0%
Total capital adequacy ratio	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%

The Bank's capital adequacy ratio as on March 31, 2014 computed under Basel III is given below :

(Amounts in ₹ crore)

Particulars	March 31, 2014
Tier I capital	40,654.52
Of which common equity tier I capital	40,654.52
Tier II capital	14,855.55
Total capital	55,510.07
Total Risk weighted assets	345,300.85
Capital adequacy ratios under Basel III	
Tier I	11.77%
Of which common equity tier I	11.77%
Tier II	4.30%
Total	**16.07%**

The Bank's capital adequacy ratio, calculated in accordance with the RBI guidelines under Basel II framework, as on March 31, 2013 is as follows :

(Amounts in ₹ crore)

Particulars	March 31, 2013
Tier I capital	33,881.13
Tier II capital	17,519.23
Total capital	51,400.36
Total Risk weighted assets	305,878.89
Capital adequacy ratios	
Tier I	11.08%
Tier II	5.72%
Total	**16.80%**

For the year ended March 31, 2014

During the year ended March 31, 2014, the Bank allotted 19,631,405 equity shares (previous year : 32,730,760 equity shares) aggregating to face value ₹ 3.93 crore (previous year : ₹ 6.55 crore) in respect of stock options exercised.

Details of Basel III eligible additional tier I and tier II capital raised during the year are given below : **(₹ crore)**

Particulars	March 31, 2014
Additional tier I capital raised during the year	**-**
Of which :	
Perpetual non-cumulative preference shares issued during the year	-
Perpetual debt instruments issued during the year	-
Tier II capital raised during the year	**-**
Of which :	
Debt capital instruments issued during the year	-
Preference share capital instruments issued during the year	-

Details of Basel II eligible innovative perpetual debt instruments and upper and lower tier II instruments issued during the year are given below. These instruments are eligible capital instruments under Basel III as per the prescribed transitional phase-out arrangements : **(₹ crore)**

Particulars	March 31, 2014	March 31, 2013
Amount raised by issue of Innovative Perpetual Debt Instruments (IPDI) during the year	-	-
Amount raised by issue of upper Tier II instruments during the year	-	-
Amount raised by issue of lower Tier II instruments during the year	-	5,447.00

Subordinated debt (lower Tier II capital), upper Tier II capital and innovative perpetual debt instruments outstanding as at March 31, 2014 are ₹ 12,428.00 crore (previous year : ₹ 12,428.00 crore), ₹ 4,015.05 crore (previous year : ₹ 3,958.75 crore) and ₹ 200.00 crore (previous year : ₹ 200.00 crore) respectively.

The details of the bonds issued during the year ended March 31, 2013 are given below :

Particulars	Date of allotment	Coupon rate (%)	Tenure	Amount (₹ crore)
Lower Tier II bonds	August 13, 2012	9.45%	15 years[1]	3,477.00
Lower Tier II bonds	October 31, 2012	8.95%	10 years[2]	565.00
Lower Tier II bonds	December 28, 2012	9.10%	10 years[3]	1,405.00

[1] *Call option exercisable on August 13, 2022 at par with the prior approval of RBI.*

[2] *Call option exercisable on October 31, 2017 at par with the prior approval of RBI.*

[3] *Call option exercisable on December 28, 2017 at par with the prior approval of RBI.*

Based on the balance term to maturity and the applicable transitional phase-out arrangements under Basel III, as at March 31, 2014, 80% of the book value of perpetual debt instruments is considered as Additional Tier I capital and 74% of the book value of subordinated debt (lower Tier II capital) and upper Tier II capital is considered as Tier II capital for the purpose of capital adequacy computation.

Based on the balance term to maturity as at March 31, 2013, 100% of the book value of perpetual debt instruments is considered as Tier I capital and 93% of the book value of subordinated debt (lower Tier II capital) and upper Tier II capital is considered as Tier II capital for the purpose of capital adequacy computation.

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

For the year ended March 31, 2014

Reconciliation of accounting capital and regulatory capital, as on March 31, 2014 : **(₹ crore)**

Particulars	**Under Basel III March 31, 2014**	**Under Basel II March 31, 2013**
(a) Subscribed capital	479.81	475.88
(b) Reserves and surplus	42,998.82	35,738.26
(c) **Accounting capital (a+b)**	**43,478.63**	**36,214.14**
(d) Innovative perpetual debt	160.00	200.00
(e) Adjustments :		
- Deferred tax asset	(1,859.51)	(1,904.85)
- Securitisation exposures (risk weighted under Basel III whilst deducted @ 50% from Tier I under Basel II)	-	(176.74)
- Investment in subsidiaries (deducted @ 70% from Tier I under Basel III and 50% from Tier I under Basel II)	(1,057.14)	(361.81)
- Valuation adjustment for illiquid positions	(45.17)	(47.07)
- Others	(22.29)	(42.54)
Total adjustments	**(2,984.11)**	**(2,533.01)**
(f) Total Tier I capital (c+d+e)	40,654.52	33,881.13
(g) Total Tier II capital	14,855.55	17,519.23
Total regulatory capital (f+g)	**55,510.07**	**51,400.36**

2 Earnings per equity share

Basic and diluted earnings per equity share have been calculated based on the net profit after taxation of ₹ 8,478.38 crore (previous year : ₹ 6,726.28 crore) and the weighted average number of equity shares outstanding during the year of 2,390,289,717 (previous year : 2,360,960,867).

Following is the reconciliation between basic and diluted earnings per equity share : **(₹)**

Particulars	**For the years ended**	
	March 31, 2014	**March 31, 2013**
Nominal value per share	2.00	2.00
Basic earnings per share	35.47	28.49
Effect of potential equity shares (per share)	(0.26)	(0.31)
Diluted earnings per share	35.21	28.18

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

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

Particulars	**For the years ended**	
	March 31, 2014	**March 31, 2013**
Weighted average number of equity shares used in computing basic earnings per equity share	2,390,289,717	2,360,960,867
Effect of potential equity shares outstanding	17,849,608	26,076,830
Weighted average number of equity shares used in computing diluted earnings per equity share	2,408,139,325	2,387,037,697

3 Reserves and surplus

Draw down from reserves

There has been no draw down from reserves during the year ended March 31, 2014 (previous year : Nil).

Statutory reserve

The Bank has made an appropriation of ₹ 2,119.59 crore (previous year : ₹ 1,681.57 crore) out of profits for the year ended March 31, 2014 to Statutory Reserve pursuant to the requirements of section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

Capital reserve

During the year ended March 31, 2014, the Bank appropriated ₹ 58.27 crore (previous year : ₹ 85.85 crore), being the profit from sale of investments under HTM category, net of taxes and transfer to statutory reserve, from Profit and Loss Account to Capital Reserve account.

General reserve

The Bank has made an appropriation of ₹ 847.84 crore (previous year : ₹ 672.63 crore) out of profits for the year ended March 31, 2014 to General Reserve pursuant to Companies (Transfer of Profits to Reserves) Rules, 1975.

Investment reserve account

During the year ended March 31, 2014, the Bank has appropriated ₹ 3.22 crore (net) (previous year : ₹ 17.66 crore (net)) from Profit and Loss Account to Investment Reserve account.

4 Dividend on shares allotted pursuant to exercise of stock options

The Bank may allot equity shares after the Balance Sheet date but before the book closure date pursuant to the exercise of any employee stock options. These equity shares will be eligible for full dividend for the year ended March 31, 2014, if approved at the ensuing Annual General Meeting.

5 Accounting for employee share based payments

The shareholders of the Bank approved grant of equity share options under Plan “B” in June 2003, Plan “C” in June 2005, Plan “D” in June 2007, Plan “E” in June 2010 and Plan “F” in June 2013. Under the terms of each of these Plans, the Bank may issue Equity Stock Options (‘ESOPs’) to employees and whole time directors of the Bank, each of which is convertible into one equity share. All the plans were framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time.

Plans B, C, D, E and F provide for the issuance of options at the recommendation of the Compensation Committee at the closing price on the working day immediately preceding the date when options are granted. For Plan B the price is that quoted on an Indian stock exchange with the highest trading volume during the preceding two weeks, while for Plans C, D, E and F the price is the closing price of the share on an Indian stock exchange with the highest trading volume as of the working day preceding the date of grant.

Vesting conditions applicable to the options are at the discretion of the Compensation Committee. These options are exercisable on vesting, for a period as set forth by the Compensation Committee at the time of grant. The period in which options may be exercised cannot exceed five years. Modifications, if any, made to the terms and conditions of ESOPs as approved by the Compensation Committee are disclosed separately.

The erstwhile Centurion Bank of Punjab (‘eCBoP’) had granted stock options to its employees prior to its amalgamation with the Bank. The options were granted under the General ESOP Scheme framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time. The outstanding options granted by eCBoP and the grant price thereof were converted into equivalent HDFC Bank options and prices in the swap ratio of 1:29 i.e. 1 stock option of HDFC Bank for every 29 stock options granted and outstanding of eCBoP as on May 23, 2008, the effective date of the amalgamation, in accordance with Clause 9.9 of the scheme of amalgamation of eCBoP with the Bank. The vesting dates for the said stock options granted in various tranches were revised as per Clause 9.9 of the Scheme. The aforesaid stock options are exercisable within a period of 5 years from the date of vesting. Options granted under the General ESOP scheme were granted at the market price. The market price was the latest available closing price, prior to the date of meeting of the Board of Directors / Compensation Committee in which options were granted or shares were issued, on the stock exchange on which the shares of the Bank were listed. If the shares were listed on more than one stock exchange, then the stock exchange where there was highest trading volume on the said date was considered.

For the year ended March 31, 2014

Method used for accounting for shared based payment plan

The Bank has elected to use intrinsic value method to account for the compensation cost of stock options to employees and whole time directors of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option.

Activity in the options outstanding under the Employee Stock Option Plans

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2014 :

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	65,443,045	417.32
Granted during the year	47,060,000	679.99
Exercised during the year	18,903,115	382.63
Forfeited / lapsed during the year	1,123,330	583.43
Options outstanding, end of year	92,476,600	556.06
Options exercisable	46,137,600	431.59

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2013 :

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	99,872,740	389.52
Granted during the year	-	-
Exercised during the year*	33,459,050	333.87
Forfeited / lapsed during the year	970,645	433.59
Options outstanding, end of year	65,443,045	417.32
Options exercisable	56,752,845	409.46

**includes 728,290 options exercised, pending allotment of equity shares as of March 31, 2013.*

- Following table summarises the information about stock options outstanding as at March 31, 2014 :

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan B	-	-	-	-
Plan C	680.00	6,952,000	5.21	680.00
Plan D	225.29 to 680.00	13,643,900	2.94	490.62
Plan E	440.16 to 680.00	71,494,300	3.82	558.33
General ESOP	118.61 to 251.72	386,400	0.40	217.13

No options have been granted under Plan F during the year ended March 31, 2014

- Following table summarises the information about stock options outstanding as at March 31, 2013 :

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan B	198.97 to 219.74	614,500	0.53	203.50
Plan C	198.97 to 219.74	705,400	0.44	208.12
Plan D	219.74 to 340.96	12,058,100	1.39	285.60
Plan E	440.16 to 508.23	51,175,300	3.65	457.40
General ESOP	107.30 to 251.72	889,745	1.09	210.75

Fair value methodology

The fair value of options used to compute proforma net income and earnings per equity share have been estimated on the dates of each grant using the binomial option-pricing model. The Bank estimates the volatility based on the historical share prices. 47,060,000 options were granted during the year ended March 31, 2014 (previous year : Nil). The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2014 were :

Particulars	March 31, 2014
Dividend yield	0.81% to 0.83%
Expected volatility	28.57% to 41.52%
Risk-free interest rate	8.21% to 9.08%
Expected life of the options	1 to 7 years

Impact of fair value method on net profit and earnings per share

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

(₹ crore)

Particulars	March 31, 2014	March 31, 2013
Net profit (as reported)	8,478.38	6,726.28
Add : Stock-based employee compensation expense included in net income	-	-
Less : Stock-based compensation expense determined under fair value based method (proforma)	561.32	431.62
Net profit (proforma)	7,917.06	6,294.66
	(₹)	**(₹)**
Basic earnings per share (as reported)	35.47	28.49
Basic earnings per share (proforma)	33.12	26.66
Diluted earnings per share (as reported)	35.21	28.18
Diluted earnings per share (proforma)	32.88	26.37

6 Other liabilities

- The Bank held contingent provisions towards standard assets amounting to ₹ 1,260.54 crore as on March 31, 2014 (previous year : ₹ 1,035.74 crore). These are included under Other Liabilities.
- In line with RBI guidelines, provision for standard assets is made @ 0.25% for direct advances to agriculture and small and micro enterprises (SMEs) sectors, @ 1%for advances to commercial real estate sector and @ 0.75% for advances to commercial real estate - residential housing sector. For all types of restructured standard advances (effective June 1, 2013) provision for standard assets is made@ 5% for a prescribed number of years from the date of restructuring or upgradation as the case may be and for the stock of restructured standard advances outstanding as on May 31, 2013 provision for standard assets is made @ 3.50% (which will be increased to 5% in a phased manner by March 31, 2016). For housing loans offered at a comparatively lower rate of interest in the first few years after which rates are reset at higher rates (teaser rate loans), provision for standard assets is made @ 2% until after one year from the date on which the rates are reset at higher rates. For all other loans and advances provision for standard assets is made @ 0.40%. Provision for standard assets of overseas branches has been made at higher of rates prescribed by the overseas regulator or RBI.
- The Bank has presented gross unrealised gain on foreign exchange and derivative contracts under other assets and gross unrealised loss on foreign exchange and derivative contracts under other liabilities. Accordingly, other liabilities as on March 31, 2014 include unrealised loss on foreign exchange and derivative contracts of ₹ 12,609.15 crore (previous year : ₹ 7,036.66 crore).
- No share application monies were outstanding as on March 31, 2014. As of March 31, 2013 'Other liabilities' include share application monies of ₹ 22.15 crore, received on exercise of employee stock options pending allotment of equity shares, which were subsequently allotted on April 4, 2013.

For the year ended March 31, 2014

7 Investments

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

Particulars	March 31, 2014	March 31, 2013
Gross value of investments		
- In India	120,202.94	111,347.24
- Outside India	921.57	503.12
Provisions for depreciation on investments		
- In India	173.44	236.76
- Outside India	-	-
Net value of investments		
- In India	120,029.50	111,110.48
- Outside India	921.57	503.12

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

Particulars	March 31, 2014	March 31, 2013
Opening balance	236.76	226.93
Add : Provision made during the year	62.75	103.96
Less : Write-off, write back of excess provision during the year	126.07	94.13
Closing balance	173.44	236.76

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

- **Repo transactions**

In accordance with RBI's guidelines, accounting of repo / reverse repo transactions excludes those done with the RBI. Following are the details of the repo / reverse repo transactions deals done during the years ended March 31, 2014 and March 31, 2013 :

✓ Details of repo / reverse repo deals (in face value terms) done during the year ended March 31, 2014 : **(₹ crore)**

Particulars	Minimum Outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2014
Securities sold under repo				
1. Corporate debt securities	-	-	-	-
2. Government securities	-	10,744.77	669.79	-
Securities purchased under reverse repo				
1. Corporate debt securities	-	311.20	19.23	311.20
2. Government securities	-	5,584.48	125.38	-

✓ Details of repo / reverse repo deals (in face value terms) done during the year ended March 31, 2013 : **(₹ crore)**

Particulars	Minimum Outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2013
Securities sold under repo				
1. Corporate debt securities	-	-	-	-
2. Government securities	-	182.25	2.51	-
Securities purchased under reverse repo				
1. Corporate debt securities	-	110.80	20.47	-
2. Government securities	-	790.00	161.66	-

There were no outstanding repo deals with RBI under liquidity adjustment facility / marginal standing facility as of March 31, 2014 (previous year : ₹ 20,995.41 crore). Outstanding reverse repo deals with RBI under liquidity adjustment facility / marginal standing facility as of March 31, 2014 were ₹ 5,720.00 crore (previous year : ₹ 7,035.00 crore).

For the year ended March 31, 2014

- **Non-SLR investment portfolio**

✓ Issuer-wise composition of non-SLR investments as at March 31, 2014 **(₹ crore)**

Sr. No.	Issuer	Amount	Extent of private placement#	Extent of "below investment grade" securities#	Extent of "unrated" securities#*	Extent of "unlisted" securities#**
1	Public sector undertakings	75.00	75.00	-	-	-
2	Financial institutions	15,615.17	15,524.42	-	-	-
3	Banks	564.99	1.00	-	-	-
4	Private corporate	7,048.34	6,510.57	-	153.55	159.15
5	Subsidiaries / Joint ventures	1,541.39	1,541.39	-	-	-
6	Others	1,639.60	1,636.60	-	-	-
7	Provision held towards depreciation	(173.44)				
	Total	**26,311.05**	**25,288.98**	**-**	**153.55**	**159.15**

\# *Amounts reported under these columns above are not mutually exclusive.*

* *Excludes investments in equity shares, units of equity oriented mutual funds and deposits with NABARD, SIDBI and NHB under the priority / weaker sector lending schemes in line with extant RBI guidelines.*

** *Excludes investments in equity shares, units of equity oriented mutual funds, pass through certificates, security receipts, commercial paper, certificate of deposits and deposits with NABARD, SIDBI and NHB under the priority / weaker sector lending schemes in line with extant RBI guidelines.*

✓ Issuer-wise composition of non-SLR investments as at March 31, 2013 **(₹ crore)**

Sr. No.	Issuer	Amount	Extent of private placement#	Extent of "below investment grade" securities#	Extent of "unrated" securities# *	Extent of "unlisted" securities# **
1	Public sector undertakings	151.63	100.00	-	-	-
2	Financial institutions	14,930.57	14,580.80	-	-	-
3	Banks	1,958.06	1,721.20	-	-	-
4	Private corporate	5,676.24	5,153.87	-	194.52	212.80
5	Subsidiaries / Joint ventures	754.82	754.82	-	-	-
6	Others	3,472.24	775.16	-	-	-
7	Provision held towards depreciation	(232.28)				
	Total	**26,711.28**	**23,085.85**	**-**	**194.52**	**212.80**

\# *Amounts reported under these columns above are not mutually exclusive.*

* *Excludes investments in equity shares, units of equity oriented mutual funds and deposits in NABARD, SIDBI and NHB under the priority / weaker sector lending schemes in line with extant RBI guidelines.*

** *Excludes investments in equity shares, units of equity oriented mutual funds, pass through certificates, security receipts, commercial paper, certificate of deposits and deposits with NABARD, SIDBI and NHB under the priority / weaker sector lending schemes in line with extant RBI guidelines.*

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

Particulars	March 31, 2014	March 31, 2013
Opening balance	161.96	112.39
Additions during the year	0.50	97.95
Reductions during the year	55.08	48.38
Closing balance	107.38	161.96
Total provisions held	**99.96**	**156.78**

- **Details of investments category-wise**

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

Particulars	As at March 31, 2014				As at March 31, 2013			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government securities	7,018.48	17,199.86	70,421.68	94,640.02	12,905.84	18,277.50	53,718.98	84,902.32
Other approved securities	-	-	-	-	-	-	-	-
Shares	2.53	133.20	-	135.73	-	125.41	-	125.41
Debentures and bonds	384.00	3,251.02	-	3,635.02	1,206.73	1,021.51	-	2,228.24
Subsidiary / Joint ventures	-	-	1,541.39	1,541.39	-	-	754.82	754.82
Others	62.36	5,817.36	15,119.19	20,998.91	1,175.29	8,156.72	14,270.80	23,602.81
Total	**7,467.37**	**26,401.44**	**87,082.26**	**120,951.07**	**15,287.86**	**27,581.14**	**68,744.60**	**111,613.60**

- **Details of "other investments" as at the Balance Sheet date is given below :** **(₹ crore)**

Particulars	March 31, 2014	March 31, 2013
Certificate of deposits	91.30	1,862.02
Commercial paper	4,177.62	4,095.66
Debt oriented mutual fund units	3.02	2,613.96
Pass through certificates	1,535.45	711.20
Security receipts issued by reconstruction companies	72.33	49.17
Deposits with NABARD	12,180.41	10,677.19
Deposits with SIDBI and National Housing Bank under the priority / weaker sector lending schemes	2,938.78	3,593.61
Total other investments	**20,998.91**	**23,602.81**

- Investments include securities of Face Value (FV) aggregating ₹ 1,845.00 crore (previous year : FV ₹ 1,745.00 crore) which are kept as margin for clearing of securities, of FV ₹ 5,693.30 crore (previous year : FV ₹ 12,100.00 crore) which are kept as margin for Collateralised Borrowing and Lending Obligation (CBLO) and of FV aggregating ₹ 120.35 crore (previous year : FV ₹ 40.00 crore) which are kept as margin for Forex Forward segment – Default Fund with the Clearing Corporation of India Ltd.

- Investments include securities of FV aggregating ₹ 16.00 crore (previous year : FV ₹ 6.00 crore) which are kept as margin with National Securities Clearing Corporation of India Ltd. ('NSCCIL'), of FV aggregating ₹ 13.00 crore (previous year : FV ₹ 5.00 crore) which are kept as margin with MCX - SX Clearing Corporation Ltd., of FV aggregating ₹ 0.30 crore (previous year : FV ₹ 0.30 crore) which are kept as margin with United Stock Exchange for transacting in the currency derivative segment and of FV aggregating ₹ 2.00 crore (previous year : Nil) which are kept as margin with Indian Clearing Corporation Limited in the BSE currency derivatives segment.

- Investments having FV aggregating ₹ 35,013.64 crore (previous year : FV ₹ 29,376.69 crore) are kept as margin towards Real Time Gross Settlement (RTGS) and those having FV aggregating ₹ 26,139.39 crore (previous year : ₹ 38,188.32 crore) are kept as margin towards liquidity adjustment facility with the RBI.

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

- During the year ended March 31, 2014, there has been no sale from, and transfer to / from, HTM category in excess of 5% of the book value of investments held in HTM category at the beginning of the year. In accordance with the RBI guidelines, this excludes :

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

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

- In August 2013, the RBI, as a one-time measure, permitted banks to transfer SLR securities from the AFS / HFT category to the HTM category. Accordingly, during the year ended March 31, 2014, the Bank transferred SLR securities having face value aggregating ₹ 1,932.49 crore from the AFS category to the HTM category. In accordance with RBI guidelines, this transfer is excluded from the 5% cap prescribed for value of sales and transfer of securities to / from the HTM category.

8. Derivatives

- **Forward rate agreements (FRAs) / Interest rate swaps (IRS)** **(Amounts in ₹ crore)**

S.No.	Particulars	March 31, 2014	March 31, 2013
i)	The total notional principal of swap agreements	176,666.72	207,507.18
ii)	Total losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	1,078.83	599.87
iii)	Concentration of credit risk arising from swaps*	83.76%	79.90%
iv)	Collateral required by the Bank upon entering into Swaps	-	-
v)	The fair value of the swap book	(141.96)	(183.28)

** Concentration of credit risk arising from swaps is with banks as on March 31, 2014 and March 31, 2013.*

The nature and terms of Rupee IRS as on March 31, 2014 are set out below :

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	19	618.00	INBMK	Fixed Receivable v/s Floating Payable
Trading	19	818.00	INBMK	Floating Receivable v/s Fixed Payable
Trading	4	1,250.00	INCMT	Floating Receivable v/s Fixed Payable
Trading	1	35.00	FIX TO FIX	Fixed Receivable v/s Fixed Payable
Trading	709	60,701.82	OIS	Fixed Receivable v/s Floating Payable
Trading	730	62,634.57	OIS	Floating Receivable v/s Fixed Payable
Trading	279	15,645.00	MIFOR	Fixed Receivable v/s Floating Payable
Trading	181	10,502.00	MIFOR	Floating Receivable v/s Fixed Payable
Trading	13	600.00	MIOIS	Floating Receivable v/s Fixed Payable
		152,804.39		

The nature and terms of foreign currency IRS as on March 31, 2014 are set out below :

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	1	9.86	JPY Libor	Fixed Receivable v/s Floating Payable
Trading	1	9.86	JPY Libor	Floating Receivable v/s Fixed Payable
Trading	1	43.90	GBP Libor	Fixed Receivable v/s Floating Payable
Trading	1	43.90	GBP Libor	Floating Receivable v/s Fixed Payable
Trading	2	826.85	EURIBOR	Fixed Receivable v/s Floating Payable
Trading	2	826.85	EURIBOR	Floating Receivable v/s Fixed Payable
Trading	46	3,917.59	USD Libor	Fixed Receivable v/s Floating Payable
Trading	139	11,116.55	USD Libor	Floating Receivable v/s Fixed Payable
Hedging	3	2,995.75	USD Libor	Fixed Receivable v/s Floating Payable
Hedging	9	4,071.22	USD Libor	Floating Receivable v/s Fixed Payable
		23,862.33		

The nature and terms of Rupee IRS as on March 31, 2013 are set out below :

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	21	702.00	INBMK	Fixed receivable v/s Floating payable
Trading	20	877.00	INBMK	Floating receivable v/s Fixed payable
Trading	4	1,250.00	INCMT	Floating receivable v/s Fixed payable
Trading	1	50.00	FIX TO FIX	Fixed receivable v/s Fixed payable
Trading	1,093	89,761.10	OIS	Fixed receivable v/s Floating payable
Trading	1,063	80,409.40	OIS	Floating receivable v/s Fixed payable
Trading	255	13,454.00	MIFOR	Fixed receivable v/s Floating payable
Trading	164	8,063.00	MIFOR	Floating receivable v/s Fixed payable
Trading	16	400.00	MIOIS	Floating receivable v/s Fixed payable
		194,966.50		

The nature and terms of foreign currency IRS as on March 31, 2013 are set out below :

Nature	Nos.	Notional principal (₹ crore)	Benchmark	Terms
Trading	1	14.29	JPY Libor	Fixed receivable v/s Floating payable
Trading	1	14.29	JPY Libor	Floating receivable v/s Fixed payable
Trading	40	1,806.76	USD Libor	Fixed receivable v/s Floating payable
Trading	124	7,991.09	USD Libor	Floating receivable v/s Fixed payable
Hedging	3	2,714.25	USD Libor	Fixed receivable v/s Floating payable
		12,540.68		

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

S. No.	Particulars	2014	2013
i)	The total notional principal amount of exchange traded interest rate derivatives undertaken during the year ended March 31, (instrument-wise) :		
	(a) 10 year Government Security Notional Bond	185.60	Nil
ii)	The total notional principal amount of exchange traded interest rate derivatives outstanding as of March 31,	Nil	Nil
iii)	The notional principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective', as of March 31,	N.A.	N.A.
iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not 'highly effective', as of March 31,	N.A.	N.A.

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

Overview of business and processes

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

Interest rate contracts

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

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

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

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

Exchange rate contracts

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

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

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

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

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

Constituents involved in derivative business

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

Derivative policy

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

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

Classification of derivatives book

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

Hedging policy

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

The hedging book consists of transactions to hedge Balance Sheet assets or liabilities. The tenor of hedging instrument may be less than or equal to the tenor of underlying hedged asset or liability. Derivative contracts designated as hedges are not marked to market unless their underlying asset or liability is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Statement of Profit and Loss in the relevant period. Gain or losses arising from hedge ineffectiveness, if any, are recognised in the Statement of Profit and Loss.

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

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

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

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

S. No.	Particulars	Currency derivatives		Interest rate derivatives	
		March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
1	Derivatives (notional principal amount)				
	a) Hedging	872.55	905.51	7,066.97	2,714.25
	b) Trading	22,823.62	20,265.76	170,198.90	205,335.78
2	Marked to Market Positions				
	a) Asset (+)	630.57	322.87	1,085.18	591.13
	b) Liability (-)	(484.52)	(256.21)	(1,190.63)	(788.17)
3	Credit Exposure	1,474.83	1,126.74	2,368.73	2,110.09
4	Likely Impact of one percentage change in interest rate (100*PV01)				
	a) On hedging derivatives	5.93	5.85	3.31	121.07
	b) On trading derivatives	10.10	11.32	130.65	118.57
5	Maximum of 100*PV01 observed during the year				
	a) On Hedging	6.98	5.96	142.60	135.11
	b) On Trading	11.37	16.89	163.81	159.58
6	Minimum of 100*PV01 observed during the year				
	a) On Hedging	5.93	0.09	3.31	-
	b) On Trading	4.31	6.44	97.02	91.16

✓ The notional principal amount of foreign exchange contracts classified as Hedging and Trading outstanding as on March 31, 2014 amounted to ₹ 26,147.11 crore (previous year : ₹ 787.13 crore) and ₹ 449,239.01 crore (previous year : ₹ 445,998.94 crore) respectively.

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

- ✓ For the purpose of this disclosure, currency derivatives include currency options purchased and sold and cross currency interest rate swaps.
- ✓ Interest rate derivatives include interest rate swaps, forward rate agreements and interest rate caps.
- ✓ The Bank has computed the maximum and minimum of PV01 for the year based on the balances as at the end of every month.
- ✓ In respect of derivative contracts, the Bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of :

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

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

9. Asset quality

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

Particulars	March 31, 2014	March 31, 2013
(i) Net NPAs to Net Advances	0.27%	0.20%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	2,334.64	1,999.39
(b) Additions (fresh NPAs) during the year	4,621.79	3,137.81
(c) Reductions during the year :	3,967.15	2,802.56
- Upgradation	1,443.32	932.27
- Recoveries (excluding recoveries made from upgraded accounts)	1,042.12	718.34
- Write-offs	1,481.71	1,151.95
(d) Closing balance	2,989.28	2,334.64
(iii) Movement of Net NPAs		
(a) Opening balance	468.95	352.33
(b) Additions during the year	1,658.65	940.67
(c) Reductions during the year	1,307.57	824.05
(d) Closing balance	820.03	468.95
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	1,865.69	1,647.06
(b) Additions during the year	2,963.14	2,197.14
(c) Write-off	1,481.71	1,151.95
(d) Write-back of excess provisions	1,177.87	826.56
(e) Closing balance	2,169.25	1,865.69

NPAs include all assets that are classified as non-performing by the Bank.

The Bank had hitherto computed additions and reductions by comparing NPAs outstanding at the beginning and at the end of the reporting period. Based on a clarification from RBI that additions and reductions should include slippages *and the related upgradation / recoveries even if these are within the same reporting period, the Bank has accordingly reflected these additions / reductions and the related provisions in the above table. Further, slippages and the related upgradation / recoveries that may occur on more than one occasion for the same customer in the reporting period are aggregated and accordingly counted more than once under additions and reductions respectively, in the above table. As a result, the additions to NPAs and reductions in NPAs on account of upgradation / recoveries increased by the same amount and the amounts of opening NPAs, closing NPAs, write offs and the related provisions remained unchanged. Previous year's figures have accordingly been re-classified.*

- **Technical or prudential write-offs**

Technical or prudential write-offs refer to the amount of non-performing assets which are outstanding in the books of the branches, but have been written-off (fully or partially) at the Head Office level. Movement in the stock of technically or prudentially written-off accounts given below :

(₹ crore)

Particulars	**March 31, 2014**	**March 31, 2013**
Opening balance of technical / prudential write-offs	-	-
Technical / prudential write-offs during the year	-	-
Recoveries made from previously technically / prudentially written-off accounts during the year	-	-
Closing Balance of technical / prudential write-offs	-	-

- **Sector-wise NPAs**

Particulars	**Percentage of NPAs to Total Advances in that sector (%)**	
	March 31, 2014	**March 31, 2013**
Agriculture and allied activities	1.18	0.90
Industry (Micro & small, Medium and Large)	0.99	1.04
Services	0.75	0.60
Personal Loans	0.80	0.62

- **Floating provisions**

Floating provisions of ₹ 1,835.03 crore (previous year : ₹ 1,835.03 crore) have been included under "Other Liabilities". Movement in floating provision is given below :

(₹ crore)

Particulars	**March 31, 2014**	**March 31, 2013**
Opening Balance	1,835.03	1,435.03
Provisions made during the year	30.00	400.00
Draw down made during the year	(30.00)	-
Closing Balance	1,835.03	1,835.03

Floating provisions have been utilized in accordance with the RBI guidelines dated February 7, 2014.

- **Disclosure on accounts subjected to restructuring for the year ended March 31, 2014:**

(₹ crore, except numbers)

S. No.	Type of Restructuring		Under Corporate Debt Restructuring (CDR) Mechanism					Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
	Details																					
1	Restructured accounts as on April 1, 2013*	No. of borrowers	4	1	10	1	16	-	-	-	-	-	3	-	3	1	7	7	1	13	2	23
		Amount outstanding	73.48	47.62	356.97	13.92	491.99	-	-	-	-	-	7.63	-	25.70	2.80	36.13	81.11	47.62	382.67	16.72	528.12
		Provision thereon	1.00	1.00	15.31	0.96	18.27	-	-	-	-	-	0.13	-	0.23	0.06	0.42	1.13	1.00	15.54	1.02	18.69
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	3	1	-	-	4	3	1	-	-	4
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	8.39	16.70	-	-	25.09	8.39	16.70	-	-	25.09
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.02	-	-	-	0.02	0.02	-	-	-	0.02
3	Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Advances not shown as restructured standard advances at the beginning of the next year^	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding	-				-	-				-	-				-	-				-
		Provision thereon	-				-	-				-	-				-	-				-
5	Down gradation of restructured accounts during the year	No. of borrowers	-	-1	+1	-	-	-	-	-	-	-	-1	+1	-	-	-	-1	-1+1	+1	-	-
		Amount outstanding	-	-51.63	+51.63	-	-	-	-	-	-	-	-2.10	+2.10	-	-	-	-2.10	-49.53	+51.63	-	-
		Provision thereon	-	-4.00	+4.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-4.00	+4.00	-	-
6	Write-offs of restructured accounts during the year	No. of borrowers	-	-	1	-	1	-	-	-	-	-	-	-	1	-	1	-	-	2	-	2
		Amount outstanding	-	-	3.29	-	3.29	-	-	-	-	-	-	-	8.61	-	8.61	-	-	11.90	-	11.90
7	Restructured accounts as on March 31, 2014*	No. of borrowers	2	-	10	-	12	-	-	-	-	-	4	2	1	-	7	6	2	11	-	19
		Amount outstanding	67.08	-	385.08	-	452.16	-	-	-	-	-	12.64	18.80	7.87	-	39.31	79.72	18.80	392.95	-	491.47
		Provision thereon	-	-	17.83	-	17.83	-	-	-	-	-	0.19	-	0.03	-	0.22	0.19	-	17.86	-	18.05

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

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

- **Disclosure on accounts subjected to restructuring for the year ended March 31, 2013:**

(₹ crore, except numbers)

S. No.	Type of Restructuring		Under Corporate Debt Restructuring (CDR) Mechanism					Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
	Details																					
1	Restructured accounts as on April 1, 2012*	No. of borrowers#	5	6	6	1	17	-	-	-	-	-	4	1	3	-	8	9	7	9	1	25
		Amount outstanding	145.14	302.55	120.52	10.04	578.25	-	-	-	-	-	11.33	13.92	33.80	-	59.05	156.47	316.47	154.32	10.04	637.30
		Provision thereon	7.40	15.11	15.27	1.80	39.58	-	-	-	-	-	0.17	0.57	0.45	-	1.19	7.57	15.68	15.72	1.80	40.77
2	Fresh restructuring during the year	No. of borrowers	-	-	1	-	1	-	-	-	-	-	1	-	2	-	3	1	-	3	-	4
		Amount outstanding	-	-	34.67	-	34.67	-	-	-	-	-	2.20	-	17.84	-	20.04	2.20	-	52.51	-	54.71
		Provision thereon	-	-	0.23	-	0.23	-	-	-	-	-	-	-	0.05	-	0.05	-	-	0.28	-	0.28
3	Upgradations to restructured standard category during the year	No. of borrowers	1	-1	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-1	-	-	-
		Amount outstanding	+30.88	-30.88	-	-	-	-	-	-	-	-	-	-	-	-	-	+30.88	-30.88	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Advances not shown as restructured standard advances at the beginning of the next year^	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding	-				-	-				-	-				-	-				-
		Provision thereon	-				-	-				-	-				-	-				-
5	Down gradation of restructured accounts during the year	No. of borrowers	-1	+1-5	+5	-	-	-	-	-	-	-	-	-	-1	+1	-	-1	-4	+4	+1	-
		Amount outstanding	-47.62	+47.62 -237.11	+237.11	-	-	-	-	-	-	-	-	-	-2.80	+2.80	-	-47.62	-189.49	+234.31	+2.80	-
		Provision thereon	-1.00	+1.00 -5.29	+5.29	-	-	-	-	-	-	-	-	-	-0.06	+0.06	-	-1.00	-4.29	+5.23	+0.06	-
6	Write-offs of restructured accounts during the year	No. of borrowers	-	-	1	-	1	-	-	-	-	-	-	1	-	-	1	-	1	1	-	2
		Amount outstanding	-	-	19.38	-	19.38	-	-	-	-	-	-	12.13	-	-	12.13	-	12.13	19.38	-	31.51
7	Restructured accounts as on March 31, 2013*	No. of borrowers	4	1	10	1	16	-	-	-	-	-	3	-	3	1	7	7	1	13	2	23
		Amount outstanding	73.48	47.62	356.97	13.92	491.99	-	-	-	-	-	7.63	-	25.70	2.80	36.13	81.11	47.62	382.67	16.72	528.12
		Provision thereon	1.00	1.00	15.31	0.96	18.27	-	-	-	-	-	0.13	-	0.23	0.06	0.42	1.13	1.00	15.54	1.02	18.69

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

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

Particulars of accounts restructured include a borrower whose investment in preference shares is classified as substandard and other performing credit facilities granted to the said borrower are not treated as NPA in accordance with RBI guidelines.

For the year ended March 31, 2014

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

(Amounts in ₹ crore)

Particulars	March 31, 2014	March 31, 2013
Number of accounts	4	Nil
Aggregate value (net of provisions) of accounts sold to SC / RC	4.82	Nil
Aggregate considerations	6.13	Nil
Additional consideration realized on full redemption of accounts transferred in earlier years	3.30	Nil
Aggregate gain over net book value	1.31	Nil

Additional consideration realized on full redemption of accounts transferred during the year ₹ 6.36 crore (previous year : Nil).

- During the years ended March 31, 2014 and March 31, 2013, no non-performing financial assets were sold, excluding those sold to SC / RC.
- During the years ended March 31, 2014 and March 31, 2013, no non-performing financial assets were purchased by the Bank.

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

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

Exposure is higher of limits sanctioned or the amounts outstanding as at the year end.

(₹ crore)

Category	March 31, 2014	March 31, 2013
(a) Direct exposure*	**29,749.41**	**25,241.74**
(i) Residential mortgages**	19,683.42	16,890.83
(ii) Commercial real estate	9,891.67	8,115.58
(iii) Investments in mortgage backed securities ('MBS') and other securitised exposures :		
(a) Residential	174.32	235.33
(b) Commercial real estate	-	-
(b) Indirect exposure :	**7,227.71**	**4,879.73**
Fund based and non-fund based exposures on National Housing Bank (NHB) and housing finance companies (HFCs)	7,227.71	4,879.73
Total exposure to real estate sector	**36,977.12**	**30,121.47**

* *Direct exposure includes housing loans eligible for inclusion in priority sector lending ₹ 18,541.59 crore (previous year : ₹ 15,831.70 crore).*

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

Of the above, exposure to real estate developers is 0.4% (previous year : 0.4%) of total advances.

For the year ended March 31, 2014

- **Details of capital market exposure**

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

S. No.	Particulars	March 31, 2014	March 31, 2013
(i)	Direct investments made in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	76.14	66.31
(ii)	Advances against shares, bonds, debentures or other securities or on clean basis to individuals for investment in shares (including IPO's / ESOP's), convertible bonds, convertible debentures and units of equity oriented mutual funds	105.96	145.34
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	1,305.60	1,481.43
(iv)	Advances for any other purposes to the extent secured by collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	17.90	36.09
(v)	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers	4,994.17	4,655.73
(vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	2,514.09	1,122.80
(vii)	Bridge loans to companies against expected equity flows / issues	-	-
(viii)	Underwriting commitments taken up in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
(ix)	Financing to stock brokers for margin trading	-	-
(x)	All exposures to venture capital funds (both registered and unregistered)	1.70	2.10
	Total exposure to capital market	**9,015.56**	**7,509.80**

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

Risk Category	March 31, 2014		March 31, 2013	
	Exposure (net)	Provision held	Exposure (net)	Provision held
Insignificant	12,346.98	3.97	8,300.90	-
Low	3,316.35	-	4,141.05	-
Moderately low	4,726.96	-	2,131.08	-
Moderate	19.82	-	611.68	-
Moderately high	28.48	-	42.48	-
High	-	-	-	-
Very High	-	-	0.04	-
Total	**20,438.59**	**3.97**	**15,227.23**	**-**

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

During the years ended March 31, 2014 and March 31, 2013, the Bank's credit exposure to single borrowers and group borrowers were within the limits prescribed by RBI.

- **Unsecured advances**

Advances for which intangible collaterals such as rights, licenses, authority, etc. are charged in favour of the Bank in respect of projects financed by the Bank, are reckoned as unsecured advances under Schedule 9 of the Balance Sheet in line with extant RBI guidelines. There are no such advances outstanding as on March 31, 2014 (previous year : Nil).

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

The aggregate amount of participation issued by the Bank, reduced from advances as per regulatory guidelines, outstanding as of March 31, 2014 was ₹ 4,450.00 crore (previous year : ₹ 2,330.00 crore).

For the year ended March 31, 2014

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

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

Particulars	March 31, 2014	March 31, 2013
Total deposits of twenty largest depositors	28,211.29	23,061.07
Percentage of deposits of twenty largest depositors to total deposits of the Bank	7.7%	7.8%

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

Particulars	March 31, 2014	March 31, 2013
Total advances to twenty largest borrowers	63,659.46	52,662.79
Percentage of advances of twenty largest borrowers to total advances of the Bank	13.4%	12.8%

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

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

Particulars	March 31, 2014	March 31, 2013
Total exposure to twenty largest borrowers / customers	76,011.79	64,001.84
Percentage of exposure of twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	15.2%	14.7%

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

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

Particulars	March 31, 2014	March 31, 2013
Total gross exposure to top four NPA accounts	354.73	288.30

11. Other fixed assets (including furniture and fixtures)

Other fixed assets includes amount capitalised relating to software having useful life of five years. Details regarding the same are tabulated below : **(₹ crore)**

Particulars		March 31, 2014	March 31, 2013
Cost			
As at March 31 of the previous year		1,093.49	830.10
Additions during the year		188.59	263.40
Deductions during the year		-	(0.01)
	Total (a)	**1,282.08**	**1,093.49**
Depreciation			
As at March 31 of the previous year		711.17	563.74
Charge for the year		146.32	147.44
On deductions during the year		-	(0.01)
	Total (b)	**857.49**	**711.17**
Net value as at March 31	**(a-b)**	**424.59**	**382.32**

For the year ended March 31, 2014

12. Other assets

- Other assets include deferred tax asset (net) of ₹ 1,859.51 crore (previous year : ₹ 1,904.85 crore). The break-up of the same is as follows :

(₹ crore)

Particulars		March 31, 2014	March 31, 2013
Deferred tax asset arising out of :			
Loan loss provisions		1,496.42	1,453.10
Employee benefits		121.60	118.80
Others		300.06	390.90
	Total (a)	**1,918.08**	**1,962.80**
Deferred tax liability arising out of :			
Depreciation		(58.57)	(57.95)
	Total (b)	**(58.57)**	**(57.95)**
Deferred tax asset (net)	**(a-b)**	**1,859.51**	**1,904.85**

- Key items under "Others" in Other assets are as under : (₹ crore)

Particulars	March 31, 2014	March 31, 2013
Unrealised gain on foreign exchange and derivative contracts*	13,965.15	7,463.93
Deferred tax assets	1,859.51	1,904.85
Deposits & amounts paid in advance	900.74	1,398.32
Accounts receivable	2,128.93	1,257.02
Margin for LAF with RBI	-	1,025.00
Residuary items	12.52	39.63
Total	**18,866.85**	**13,088.75**

**The Bank has presented gross unrealised gain on foreign exchange and derivative contracts under other assets and gross unrealised loss on foreign exchange and derivative contracts under other liabilities.*

13. Maturity pattern of key assets and liabilities

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI. (₹ crore)

As at March 31, 2014	1 day	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans & advances	6,022.49	6,943.89	4,308.40	8,278.80	34,841.80	24,585.12	29,450.83	143,717.35	22,597.09	22,254.50	303,000.27
Investments	19,500.79	3,025.34	2,639.62	2,872.83	5,527.87	9,535.79	7,278.14	35,235.61	6,342.03	28,993.05	120,951.07
Deposits	6,774.10	11,853.43	9,403.92	10,527.24	18,492.97	26,127.75	18,568.22	167,127.92	9,377.39	89,084.54	367,337.48
Borrowings	1,473.91	745.92	119.81	458.95	4,478.22	1,210.06	2,525.06	11,053.00	8,442.91	8,931.15	39,438.99
Foreign currency assets	5,840.51	5,617.07	1,049.39	1,858.85	6,223.78	4,304.94	601.83	16,204.19	1,484.80	169.10	43,354.46
Foreign currency liabilities	613.10	1,048.49	224.77	1,184.84	4,883.09	2,729.69	4,846.39	34,270.24	8,523.87	636.90	58,961.38

(₹ crore)

As at March 31, 2013	1 day	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans & advances	5,160.79	4,770.92	4,617.22	6,939.38	22,673.07	22,676.59	25,700.78	110,569.48	18,146.42	18,465.99	239,720.64
Investments	4,397.94	13,865.75	2,429.28	2,692.10	7,566.13	7,183.02	7,752.56	34,347.67	5,051.12	26,328.03	111,613.60
Deposits	4,667.75	10,306.01	7,730.10	7,288.12	18,957.09	20,887.03	17,959.52	126,568.53	5,224.33	76,658.50	296,246.98
Borrowings	239.53	1,435.14	504.35	565.12	2,980.61	4,029.55	999.08	4,028.92	6,474.45	11,749.85	33,006.60
Foreign currency assets	1,360.66	5,030.23	1,360.79	1,288.74	5,855.24	5,119.54	1,117.90	2,588.78	1,404.62	106.48	25,232.98
Foreign currency liabilities	293.96	1,074.45	549.93	777.62	3,683.12	4,636.29	2,224.74	3,005.35	4,623.94	576.69	21,446.09

14. Provisions, contingent liabilities and contingent assets

Given below is the movement in provisions and a brief description of the nature of contingent liabilities recognised by the Bank.

a) Provision for credit card and debit card reward points **(₹ crore)**

Particulars	March 31, 2014	March 31, 2013
Opening provision for reward points	130.07	85.80
Provision for reward points made during the year	100.89	109.35
Utilisation / write back of provision for reward points	(57.72)	(62.65)
Effect of change in rate for accrual of reward points	(22.33)	14.11
Effect of change in cost of reward points	-	(16.54)
Closing provision for reward points	150.91	130.07

b) Provision for legal and other contingencies **(₹ crore)**

Particulars	March 31, 2014	March 31, 2013
Opening provision	312.66	286.03
Movement during the year (net)	39.95	26.63
Closing provision	352.61	312.66

c) Description of contingent liabilities

S. No.	Contingent liability*	Brief description
1	Claims against the Bank not acknowledged as debts - taxation	The Bank is a party to various taxation matters in respect of which appeals are pending. The Bank expects the outcome of the appeals to be favorable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and the provisions of Income Tax Act, 1961.
2	Claims against the Bank not acknowledged as debts - others	The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
3	Liability on account of forward exchange and derivative contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts of financial instruments such as foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the Balance Sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms.
4	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities, the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the Bank's customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
5	Other items for which the Bank is contingently liable	These include : a) Credit enhancements in respect of securitized-out loans; b) Bills rediscounted by the Bank; c) Capital commitments; d) Underwriting commitments

**Also refer Schedule 12 - Contingent liabilities*

For the year ended March 31, 2014

15. Business ratios / information

Particulars	March 31, 2014	March 31, 2013
Interest income as a percentage to working funds[1]	9.72%	9.91%
Net interest income as a percentage to working funds	4.37%	4.47%
Non-interest income as a percentage to working funds	1.87%	1.94%
Operating profit[2] as a percentage to working funds	3.39%	3.23%
Return on assets (average)	2.00%	1.90%
Business[3] per employee (₹ in crore)	8.90	7.50
Profit per employee[4] (₹ in crore)	0.12	0.10
Gross non-performing assets to gross advances[5]	0.98%	0.97%
Gross non-performing advances to gross advances	0.91%	0.85%
Percentage of net non-performing assets[6] to net advances[7]	0.27%	0.20%
Provision coverage ratio[8]	72.57%	79.91%

Definitions of certain items in Business Ratios / Information :

1. *Working funds is the daily average of total assets during the year.*
2. *Operating profit is net profit for the year before provisions and contingencies.*
3. *"Business" is the total of net advances and deposits (net of inter-bank deposits).*
4. *Productivity ratios are based on average employee numbers.*
5. *Gross advances are net of bills rediscounted and interest in suspense.*
6. *Net NPAs are non-performing assets net of interest in suspense, specific provisions, ECGC claims received, provisions for funded interest term loans classified as NPAs and provisions in lieu of diminution in the fair value of restructured assets classified as NPAs.*
7. *Net advances are equivalent to gross advances net of specific loan loss provisions, ECGC claims received, provision for funded interest term loans classified as NPA and provisions in lieu of diminution in the fair value of restructured assets.*
8. *Provision coverage ratio does not include assets written off.*

16. Interest income

Interest income under the sub-head Income from Investments includes dividend received during the year ended March 31, 2014 on units of mutual funds, equity and preference shares amounting to ₹ 89.86 crore (previous year : ₹ 180.35 crore).

17. Earnings from standard assets securitised-out

There are no Special Purpose Vehicles ('SPV's) sponsored by the Bank for securitisation transactions. During the years ended March 31, 2014 and March 31, 2013, there were no standard assets securitised-out by the Bank.

Form and quantum of services and liquidity provided by way of credit enhancement

The Bank has provided credit and liquidity enhancements in the form of cash collaterals / guarantees / subordination of cash flows etc., to the senior pass through certificates ('PTC's) as well as on loan assignment transactions. The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines. The total value of credit enhancement outstanding in the books as at March 31, 2014 was ₹ 348.28 crore (previous year : ₹ 353.47 crore), and liquidity enhancement was ₹ 8.10 crore (previous year : ₹ 8.10 crore). Outstanding servicing liability was ₹ 0.19 crore (previous year : ₹ 0.27 crore).

For the year ended March 31, 2014

18. Other income

- **Commission, exchange and brokerage income**

  ✓ Commission, exchange and brokerage income is net of correspondent bank charges.

  ✓ Commission income for the year ended March 31, 2014 includes fees (net of service tax) of ₹ 337.56 crore (previous year : ₹ 469.21 crore) in respect of life insurance business and ₹ 116.69 crore (previous year : ₹ 125.47 crore) in respect of general insurance business.

- **Miscellaneous income**

  Miscellaneous income includes recoveries from written-off accounts amounting to ₹ 622.61 crore (previous year : ₹ 496.54 crore).

19. Other expenditure

Other expenditure includes outsourcing fees amounting to ₹ 590.31 crore (previous year : ₹ 530.26 crore) and commission paid to sales agents amounting to ₹ 1,003.26 crore (previous year : ₹ 963.30 crore), exceeding 1% of the total income of the Bank.

20. Provisions and contingencies

The break-up of provisions and contingencies included in the Statement of Profit and Loss is given below : **(₹ crore)**

Particulars	March 31, 2014	March 31, 2013
Provision for income tax		
- Current	4,269.41	3,275.76
- Deferred	24.27	(251.42)
Provision for wealth tax	0.75	0.60
Provision for NPAs	1,632.58	1,234.21
Provision for diminution in value of non-performing investments	(4.12)	52.21
Provision for standard assets	221.29	123.71
Other provisions and contingencies*	(262.48)	266.27
Total	**5,881.70**	**4,701.34**

**Includes (write-back) / provisions for tax, legal and other contingencies ₹ (265.33) crore (previous year : ₹ (133.21) crore), floating provisions ₹ 30.00 crore (previous year : ₹ 400.00 crore), provisions for securitised-out assets ₹ (26.21) crore (previous year : ₹ 5.92 crore) and standard restructured assets ₹ (0.94) crore (previous year : ₹ (6.44) crore).*

21. Employee benefits

Gratuity **(₹ crore)**

Particulars	March 31, 2014	March 31, 2013
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	206.28	166.30
Interest cost	17.87	13.06
Current service cost	38.88	38.73
Benefits paid	(15.42)	(11.76)
Actuarial (gain) / loss on obligation :		
Experience adjustment	5.87	2.72
Assumption change	(16.05)	(2.77)
Present value of obligation as at March 31	**237.43**	**206.28**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	130.22	91.86
Expected return on plan assets	12.11	8.88
Contributions	43.82	39.24
Benefits paid	(15.42)	(11.76)
Actuarial gain / (loss) on plan assets :		

For the year ended March 31, 2014

Particulars	March 31, 2014	March 31, 2013
Experience adjustment	1.87	2.00
Assumption change	-	-
Fair value of plan assets as at March 31	**172.60**	**130.22**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	172.60	130.22
Present value of obligation as at March 31	(237.43)	(206.28)
Asset / (liability) as at March 31	**(64.83)**	**(76.06)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	17.87	13.06
Current service cost	38.88	38.73
Expected return on plan assets	(12.11)	(8.88)
Net actuarial (gain) / loss recognised in the year	(12.04)	(2.04)
Net cost	**32.60**	**40.87**
Actual return on plan assets	13.97	10.88
Estimated contribution for the next year	48.30	30.96
Assumptions		
Discount rate	9.0% per annum	8.1% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	8.5% per annum

Experience adjustment (₹ crore)

Particulars	Years ended March 31				
	2014	2013	2012	2011	2010
Plan assets	172.60	130.22	91.86	66.00	51.74
Defined benefit obligation	237.43	206.28	166.30	136.08	99.20
Surplus / (deficit)	(64.83)	(76.06)	(74.44)	(70.08)	(47.46)
Experience adjustment gain / (loss) on plan assets	1.87	2.00	(0.93)	0.01	7.40
Experience adjustment (gain) / loss on plan liabilities	5.87	2.72	1.25	9.56	(5.02)

Expected rate of return on investments is determined based on the assessment made by the Bank at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as of March 31, 2014 are given below :

Category of Plan assets	% of fair value to total plan assets
Government securities	26.0%
Debenture and bonds	32.9%
Equity shares	32.3%
Others	8.8%
Total	**100.0%**

Pension (₹ crore)

Particulars	March 31, 2014	March 31, 2013
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	58.19	56.85
Interest cost	4.84	4.18
Current service cost	0.77	1.32
Benefits paid	(8.88)	(11.09)
Actuarial (gain) / loss on obligation :		
Experience adjustment	3.62	6.12
Assumption change	0.35	0.81
Present value of obligation as at March 31	**58.89**	**58.19**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	48.88	51.14
Expected return on plan assets	3.87	4.00
Contributions	0.67	6.41
Benefits paid	(8.88)	(11.09)

(₹ crore)

Particulars	March 31, 2014	March 31, 2013
Actuarial gain / (loss) on plan assets :		
Experience adjustment	3.45	(1.58)
Assumption change	-	-
Fair value of plan assets as at March 31	**47.99**	**48.88**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	47.99	48.88
Present value of obligation as at March 31	(58.89)	(58.19)
Asset / (liability) as at March 31	**(10.90)**	**(9.31)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	4.84	4.18
Current service cost	0.77	1.32
Expected return on plan assets	(3.87)	(4.00)
Net actuarial (gain) / loss recognised in the year	0.51	8.51
Net cost	**2.25**	**10.01**
Actual return on plan assets	7.33	2.42
Estimated contribution for the next year	9.30	9.48
Assumptions		
Discount rate	9.0% per annum	8.1% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	8.5% per annum

Experience adjustment (₹ crore)

Particulars	Years ended March 31				
	2014	2013	2012	2011	2010
Plan assets	47.99	48.88	51.14	43.35	38.78
Defined benefit obligation	58.89	58.19	56.85	57.38	40.70
Surplus / (deficit)	(10.90)	(9.31)	(5.71)	(14.03)	(1.92)
Experience adjustment gain / (loss) on plan assets	3.45	(1.58)	(1.29)	2.85	2.78
Experience adjustment (gain) / loss on plan liabilities	3.62	6.12	1.36	18.50	2.12

Expected rate of return on investments is determined based on the assessment made by the Bank at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as of March 31, 2014 are given below :

Category of Plan assets	% of fair value to total plan assets
Government securities	6.3%
Debenture and bonds	67.4%
Others	26.3%
Total	**100.0%**

Provident fund

The guidance note on AS-15, Employee Benefits, states that employer established provident funds, where interest is guaranteed are to be considered as defined benefit plans and the liability has to be valued. The Actuary Society of India (ASI) has issued a guidance note on valuation of interest rate guarantees on exempt provident funds. The actuary has accordingly valued the same and the Bank holds a provision of ₹ 0.52 crore as on March 31, 2014 (previous year : ₹ 9.57 crore) towards the present value of the guaranteed interest benefit obligation. The actuary has followed Deterministic approach as prescribed by the guidance note.

Assumptions :

Particulars	March 31, 2014	March 31, 2013
Discount rate (GOI security yield)	8.9% per annum	8.0% per annum
Expected guaranteed interest rate	9.0% per annum	8.6% per annum

The Bank does not have any unfunded defined benefit plan. The Bank contributed ₹ 143.34 crore (previous year : ₹ 129.54 crore) to the provident fund and ₹ 43.22 crore (previous year : ₹ 37.33 crore) to the superannuation plan.

Compensated absences

The actuarial liability of compensated absences of accumulated privileged and sick leaves of the employees of the Bank is given below :

(₹ crore)

Particulars	March 31, 2014	March 31, 2013
Privileged leave	213.13	211.25
Sick leave	45.29	40.50
Total actuarial liability	**258.42**	**251.75**
Assumptions		
Discount rate	9.0% per annum	8.1% per annum
Salary escalation rate	8.5% per annum	8.5% per annum

22. Disclosures on remuneration

Qualitative Disclosures

A. Information relating to the composition and mandate of the Remuneration Committee

Composition of the Remuneration Committee

The Board of Directors of the Bank has constituted the Remuneration Committee (hereinafter, the 'Remuneration Committee') for overseeing and governing the compensation policies of the Bank. The Remuneration Committee is comprised of four independent directors and is chaired by the Chairman of the Board of Directors of the Bank. Further, two members of the Remuneration Committee are also members of the Risk Policy and Monitoring Committee ('RPMC') of the Board.

The Remuneration Committee is comprised of the Chairman, Mr. C. M. Vasudev, Dr. Pandit Palande, Mr. Partho Datta and Mr. Bobby Parikh. Further, Mr. C.M. Vasudev and Mr. Partho Dutta are also members of the RPMC.

Mandate of the Remuneration Committee

The primary mandate of the Remuneration Committee is to oversee the implementation of compensation policies of the Bank.

The Remuneration Committee periodically reviews the overall compensation policy of the Bank with a view to attract, retain and motivate employees. In this capacity it is required to review and approve the design of the total compensation framework, including compensation strategy programs and plans, on behalf of the Board of Directors. The compensation structure and pay revision for Whole Time Directors is also approved by the Remuneration Committee. The Remuneration Committee co-ordinates with the RPMC to ensure that compensation is aligned with prudent risk taking.

B. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy

I. Key Features and Objectives of Remuneration Policy

The Bank's Compensation Policy (hereinafter, the 'Policy') is aligned to business strategy, market dynamics, internal characteristics and complexities within the Bank. The ultimate objective of the Policy is to provide a fair and transparent structure that helps in retaining and acquiring the talent pool critical to build competitive advantage and brand equity. The Policy has been designed basis the principles for sound compensation practices in accordance with regulatory requirements and provides a framework to create, modify and maintain appropriate compensation programs and processes with adequate supervision and control.

The Bank's performance management system provides a sound basis for assessing employee performance holistically. The Bank's compensation framework is aligned with the performance management system and differentiates pay appropriately amongst its employees based on degree of contribution, skill and availability of talent owing to competitive market forces by taking into account factors such as role, skills, competencies, experience and grade / seniority.

The compensation structure for both the categories of employees is determined by the Remuneration Committee and ensures that :

(a) the compensation is adjusted for all types of prudent risk taking;

(b) compensation outcomes are symmetric with risk outcomes;

(c) compensation payouts are sensitive to the time horizon of risk; and

(d) the mix of cash, equity and other forms of compensation are aligned with risk.

II. Design and Structure of Remuneration

a) Fixed Pay

The Remuneration Committee ensures that the fixed component of the compensation is reasonable, taking into account all relevant factors including industry practice.

Elements of Fixed Pay

The fixed pay component of the Bank's compensation structure typically consists of elements such as base salary, allowances, perquisites, retirement and other employee benefits. Perquisites extended are in the nature of company car, hard furnishing, company leased accommodation, club membership and such other benefits or allowances in lieu of such perquisites / benefits. Retirement benefits are comprised of contributions to provident fund, superannuation fund (for certain job bands) and gratuity. The Bank also provides pension to certain employees of the erstwhile Lord Krishna Bank (eLKB) under the Indian Banks' Association ('IBA') structure.

Determinants of Fixed Pay

The fixed pay is primarily determined by taking into account factors such as the job size, performance, experience, location, market competitiveness of pay and is designed to meet the following key objectives of :

(a) fair compensation given the role complexity and size;

(b) fair compensation given the individual's skill, competence, experience and market pay position;

(c) sufficient contribution to post retirement benefits; and

(d) compliance with all statutory obligations.

For Whole Time Directors additional dimensions such as prominence of leadership among industry leaders, consistency of the Bank's performance over the years on key parameters such as profitability, growth and asset quality in relation to its own past performance and that of its peer banks would be considered. The quantum of fixed pay for Whole Time Directors is approved by the Remuneration Committee as well as the Board and is subject to the approval of the RBI.

b) Variable Pay

The performance management system forms the basis for variable pay allocation of the Bank. The Bank ensures that the performance management system is comprehensive and considers both, quantitative and qualitative performance measures.

Whole Time Directors

The bonus for Whole Time Directors will not exceed 70% of the fixed pay in a year, thereby ensuring that there is a balance between the fixed and variable pays. The variable pay for Whole Time Directors is approved by the Remuneration Committee as well as the Board and is subject to the approval of the RBI. The variable pay component is paid out subject to the following conditions :

- Where the variable pay constitutes 50% or more of the fixed pay, a portion of the same would be deferred as per the schedule mentioned in the table below :

Portion of Variable Pay	Timelines
60%	Payable effective April 1 of the financial year immediately following the performance year, subject to RBI approval.
13.33%	As on the start date of the subsequent financial year immediately following the reference performance year.
13.33%	As on the start date of the second financial year immediately following the reference performance year.
13.33%	As on the start date of the third financial year immediately following the reference performance year.

- The Bank has devised appropriate malus and claw back clauses as a risk mitigant for any negative contributions of the Bank and / or relevant line of business in any year. Under the malus clause the incumbent foregoes the vesting of the deferred variable pay in full or in part. Under the claw back clause the incumbent is obligated to return all the tranches of payout received of bonus amounts pertaining to the relevant performance year.

Employees Other Than Whole Time Directors

The Bank has formulated the following variable pay plans :

- Annual Bonus Plan

  The quantum of variable payout is a function of the performance of the Bank, performance of the individual employee, job band of the employee and the functional category. Basis these key determinants and due adjustment for risk alignment, a payout matrix for variable pay is developed. Market trends for specific businesses / functions along with inputs from compensation surveys may also be used in finalising the payout.

  Bonus pools are designed to meet specific business needs therefore resulting in differentiation in both the quantum and the method of payout across functions. Typically higher levels of responsibility receive a higher proportion of variable pay vis-à-vis fixed pay. The Bank ensures that the time horizon for risk is assessed and the deferment period, if any, for bonus is set accordingly. Employees on the annual bonus plan are not part of the incentive plans. The following is taken into account while administering the annual bonus :

  ✓ In the event the proportion of variable pay to fixed pay is substantially high (typically variable pay exceeding 50% of fixed pay), the Bank may devise an appropriate deferment schedule after taking into consideration the nature of risk, time horizon of risk, and the materiality of risk.

  ✓ In cases of deferment of variable pay the Bank makes an assessment prior to the due date for payment of the deferred portion for any negative contribution. The criteria for negative contribution are decided basis pre-defined financial benchmarks. The Bank has in place appropriate methods for prevention of vesting of deferred variable pay or any part thereof, on account of negative contribution. The Bank also has in place claw back arrangements in relation to amounts already paid in the eventuality of a negative contribution.

- Incentive Plans

  Incentive Plans are formulated for sales personnel who are given origination / sales targets but have limited impact on risk since credit decisions are exercised independent of the sales function. Most incentive plans have quarterly payouts and are based on the framework of a balanced scorecard. In alignment with the principles of prudent risk management, a portion of the incentive payouts are deferred till the end of the year and are linked to attainment of targets for the full year.

Risk, Control and Compliance Staff

The Bank has separated the Risk, Control and Compliance functions from the Business functions in order to create a strong culture of checks and balances thereby ensuring good asset quality and to eliminate any possible conflict of interest between revenue generation and risk management and control. Accordingly, the overall variable pay as well as the annual salary increment of the employees in the Risk, Control and Compliance functions is based on their performance, functional objectives and goals. The Bank ensures that the mix of fixed to variable compensation for these functions is weighted in favour of fixed compensation.

c) Guaranteed Bonus

Guaranteed Bonuses may not be consistent with sound risk management or pay for performance principles of the Bank and therefore do not form an integral part of the general compensation practice.

For critical hiring for some select strategic roles, the Bank may consider granting of a sign-on bonus as a prudent way to avoid loading the entire cost of attraction into the fixed component of the compensation which could have a long term cost implication for the Bank. For such hiring, the sign-on bonus is generally decided by taking into account appropriate risk factors and market conditions.

For hiring at levels of Whole Time Directors / Managing Director a sign-on bonus, if any, is limited to the first year only and is in the form of Employee Stock Options.

d) Employee Stock Option Plan ('ESOPs')

The Bank considers ESOPs as a vehicle to create a balance between short term rewards and long term sustainable value creation. ESOPs play a key role in the attraction and retention of key talent. The Bank grants equity share options to its 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 Remuneration Committee.

The grant of options is reviewed and approved by the Remuneration Committee. The number of options granted varies at the discretion of the Remuneration Committee after considering parameters such as the incumbent's grade and performance rating, and such other appropriate relevant factors as may be deemed appropriate by the Remuneration Committee. Equity share options granted to the Whole Time Directors are subject to the approval of the Remuneration Committee, the Board and the RBI.

e) Severance Pay

The Bank does not grant severance pay other than accrued benefits (such as gratuity, pension) except in cases where it is mandated by any statute.

f) Hedging

The Bank does not provide any facility or fund or permit its Whole Time Directors and employees to insure or hedge their compensation structure to offset the risk alignment effects embedded in their compensation arrangement.

III. Remuneration Processes

Fitment at the time of Hire

Pay ranges of the Bank are set basis the job size, experience, location and the academic and professional credentials of the incumbent.

The compensation of new hires is in line with the existing pay ranges and consistent with the compensation levels of the existing employees of the Bank at similar profiles. The pay ranges are subject to change basis market trends and the Bank's talent management priorities. While the Bank believes in the internal equity and parity as a key determinant of pay it does acknowledge the external competitive pressures of the talent market. Accordingly, there could be certain key profiles with critical competencies which may be hired at a premium and treated as an exception to the overall pay philosophy. Any deviation from the defined pay ranges is treated as a hiring exception requiring approval with appropriate justification.

Increment / Pay Revision

It is the endeavor of the Bank to ensure external competitiveness as well as internal equity without diluting the overall focus on optimizing cost. In order to enhance our external competitiveness the Bank participates in an annual salary survey of the banking sector to understand key market trends as well as get insights on relative market pay position compared to peers. The Bank endeavors to ensure that most employees progress to the median of the market in terms of fixed pay over time. This coupled with key internal data indicators like performance score, job family, experience, job grade and salary budget form the basis of decision making on revisions in fixed pay.

Increments in fixed pay for majority of the employee population are generally undertaken effective April 1 every year. However promotions, confirmations and change in job dimensions could also lead to a change in the fixed pay during other times of the year.

The Bank also makes salary corrections and adjustments during the year for those employees whose compensation is found to be below the market pay and who have a good performance track record. However such pay revisions are done on an exception basis.

C. Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks

The Bank takes into account all types of risks in its remuneration processes. The Bank takes into consideration the fact that a portion of the Bank's profits are directly attributable to various types of risks the Bank is exposed to, such as credit risk, market risk, operational risk and other quantifiable risks. Based on the surplus available post adjustment of the cost of capital to cover all such risks and factoring the impact of bonus payout on operating costs an appropriate bonus pool is arrived at.

The Bank also provides for deferment of bonus in the event the proportion of variable pay as compared to fixed pay is substantially high. The Bank has also devised appropriate malus and claw back clauses as a risk mitigant for any negative contributions of the Bank and / or relevant line of business in any year. Under the malus clause, the incumbent foregoes the vesting of the deferred variable pay in full or in part. Under the claw back clause, the incumbent is obligated to return all the tranches of payout received of bonus amounts pertaining to the relevant performance year.

D. Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration

Levels of remuneration in the Bank are linked to the performance of the individual employees and the respective business functions. The performance driven pay culture is briefly described below :

Fixed Pay

At the conclusion of every financial year the Bank reviews the fixed pay portion of the compensation structure basis merit-based increments and market corrections. These are based on a combination of performance rating, job band and the functional category of the individual employee. For a given job band, the merit increment is directly related to the performance rating. The Bank strives to ensure that most employees progress to the median of the market in terms of fixed pay over time. All other things remaining equal, the correction percentage is directly related to the performance rating of the individual.

Variable Pay

Basis the individual performance, role, and function, the Bank has formulated the following variable pay plans :

- **Annual Bonus Plan**

  The Bank's annual bonus is computed as a multiple of the standardised gross salary for every job band. The bonus multiple is based on performance rating, job band and the functional category of the individual employee. All other things remaining equal, for a given job band, the bonus multiple is directly related to the performance rating. The proportion of variable pay to fixed pay increases with job band. Employees on the annual bonus plan are not part of the incentive plans.

- **Incentive Plans**

  The Bank has formulated incentive plans for its sales personnel who are given origination / sales targets. All incentive payouts are subject to the achievement of individual targets enumerated in the respective scorecards of the employees. A portion of the incentive payouts are deferred till the end of the year and are linked to attainment of targets for the full year.

E. A discussion of the Bank's policy on deferral and vesting of variable remuneration and a discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting

Whole Time Directors

The bonus for Whole Time Directors will not exceed 70% of the fixed pay in a year, thereby ensuring that there is a balance between the fixed and variable pay. The variable pay for Whole Time Directors is approved by the Remuneration Committee as well as the Board and is subject to the approval of the RBI. The variable pay component is paid out subject to the following conditions :

- Where the variable pay constitutes 50% or more of the fixed pay, an appropriate portion thereof is deferred and vests as per the schedule mentioned in the table below :

Portion of Variable Pay	Timelines
60%	Payable effective April 1 of the financial year immediately following the performance year, subject to RBI approval.
13.33%	As on the start date of the subsequent financial year immediately following the reference performance year.
13.33%	As on the start date of the second financial year immediately following the reference performance year.
13.33%	As on the start date of the third financial year immediately following the reference performance year.

- The Bank has devised appropriate malus and claw back clauses as a risk mitigant for any negative contributions of the Bank and / or relevant line of business in any year.

  ✓ Malus Clause

  Under the malus clause the incumbent foregoes the vesting of the deferred variable pay in full or in part. In the event there is a deterioration in specific performance criteria (such as criteria relating to profit or asset quality) that are laid down by the Remuneration Committee, then the Remuneration Committee would review the deterioration in the performance taking into consideration the macroeconomic environment as well as internal performance indicators and accordingly decide whether any part of the deferred tranche pertaining to that financial year merits a withdrawal.

  ✓ Claw back Clause

  Under the claw back clause the incumbent is obligated to return all the tranches of payout received of bonus amounts pertaining to the relevant performance year. In the event there is any act attributable to the concerned Whole Time Director / Managing Director resulting in an incident of willful and deliberate misinterpretation / misreporting of financial performance (inflating the financials) of the Bank, for a financial year, which comes to light in the subsequent three years, the incumbent is obligated to return all the tranches of payout received of bonus amounts pertaining to the relevant performance year.

The specific criteria on the applicability of malus and claw back arrangements are reviewed by the Remuneration Committee annually.

Employees Other Than Whole Time Directors

The Bank has formulated the following variable pay plans :

- **Annual Bonus Plan**

  The quantum of variable payout is a function of the performance of the Bank, performance of the individual employee, job band of the employee and the functional category. Basis these key determinants and due adjustment for risk alignment, a payout matrix for variable pay is developed. Market trends for specific businesses / functions along with inputs from compensation surveys may also be used in finalising the payout.

  Bonus pools are designed to meet specific business needs therefore resulting in differentiation in both the quantum and the method of payout across functions. Typically higher levels of responsibility receive a higher proportion of variable pay vis-à-vis fixed pay. The Bank ensures that the time horizon for risk is assessed and the deferment period, if any, for bonus is set accordingly. Employees on the annual bonus plan are not part of the incentive plans. The following is taken into account while administering the annual bonus :

  ✓ In the event the proportion of variable pay to fixed pay is substantially high (typically variable pay exceeding 50% of fixed pay), the Bank may devise an appropriate deferment schedule after taking into consideration the nature of risk, time horizon of risk, and the materiality of risk.

  ✓ In cases of deferment of variable pay the Bank makes an assessment prior to the due date for payment of the deferred portion for any negative contribution. The criteria for negative contribution are decided basis pre-defined financial benchmarks. The Bank has in place appropriate methods for prevention of vesting of deferred variable pay or any part thereof, on account of negative contribution. The Bank also has in place claw back arrangements in relation to amounts already paid in the eventuality of a negative contribution.

- **Incentive Plans**

  Incentive Plans are formulated for sales personnel who are given origination / sales targets but have limited impact on risk since credit decisions are exercised independent of the sales function. Most incentive plans have quarterly payouts. In alignment with the principles of prudent risk management, a portion of the incentive payouts are deferred till the end of the year and are linked to attainment of targets for the full year.

F. Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the Bank utilizes and the rationale for using these different forms.

The Bank recognises the importance of variable pay in reinforcing a pay for performance culture. Variable pay stimulates employees to stretch their abilities to exceed expectations.

- **Annual Bonus Plan**

  These are paid to reward performance for a given financial year. This covers all employees and excludes employees receiving incentives. This is based on performance rating, job band and functional category of the individual.

- **Incentive Plans**

  These are paid to frontline sales staff for the achievement of specific sales targets but limited impact on risk as credit decisions are exercised independent of the sales function. Further, it has been the endeavor of the Bank to ensure that the objectives set are based on the principles of a balanced scorecard rather than just the achievement of financial numbers. Incentives are generally paid every quarter. A portion of the incentive payouts are deferred till the end of the year and are linked to attainment of targets for the full year.

- **Employee Stock Option Plan**

  This is to reward for contribution of employees in creating a long term, sustainable earnings and enhancing shareholder value. Only employees in a certain job band and with a specific performance rating are eligible for Stock Options. Performance is the key criteria for granting stock options.

Quantitative Disclosures

The quantitative disclosures cover the Bank's Whole Time Directors and Key Risk Takers. Key Risk Takers are individuals who can materially set, commit or control significant amounts of the Bank's resources, and / or exert significant influence over its risk profile. The Bank's Key Risk Takers include Whole Time Directors, Group Heads, Business Heads directly reporting to the Managing Director and select roles in the Bank's Treasury and Investment Banking functions.

S. No.	Subject	March 31, 2014	March 31, 2013
(a)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members	Number of meetings : 7 Remuneration paid : ₹ 0.05 crore	Number of meetings : 5 Remuneration paid : ₹ 0.04 crore
(b) (i)	Number of employees having received a variable remuneration award during the financial year	21 employees	22 employees
(b) (ii)	Number and total amount of sign-on awards made during the financial year	None	None
(b) (iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	None	None
(b) (iv)	Details of severance pay, in addition to accrued benefits, if any	None	None
(c) (i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 3.02 crore	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 1.81 crore
(c) (ii)	Total amount of deferred remuneration paid out in the financial year	₹ 0.60 crore	Nil
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	₹ 32.83 crore (Fixed*) ₹ 9.92 crore (Variable pay pertaining to financial year ended March 31, 2013, in relation to employees where there was no deferment of pay) ₹ 4.53 crore** (Variable pay pertaining to financial year ended March 31, 2013, in relation to employees where there was deferment of pay), of which ₹ 1.81 crore was deferred and ₹ 2.72 crore was non-deferred.	₹ 31.81 crore (Fixed*) ₹ 9.82 crore (Variable pay pertaining to financial year ended March 31, 2012, in relation to employees where there was no deferment of pay) ₹ 4.53 crore (Variable pay pertaining to financial year ended March 31, 2012, in relation to employees where there was deferment of pay), of which ₹ 1.81 crore was deferred and ₹ 2.72 crore was non-deferred.
(e) (i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 3.02 crore	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 1.81 crore
(e) (ii)	Total amount of reductions during the financial year due to ex-post explicit adjustments.	Nil	Nil
(e) (iii)	Total amount of reductions during the financial year due to ex-post implicit adjustments	Nil	Nil

* *Excludes gratuity benefits, since the same is computed at Bank level.*

** *Includes deferred variable pay of ₹ 0.98 crore and non-deferred variable pay of ₹ 1.48 crore approved by the RBI subsequent to March 31, 2014 vide letter dated April 2, 2014*

Note : 4,241,000 stock options were granted to the Bank's Key Risk Takers during the year ended March 31, 2014 (previous year : Nil).

23. Segment reporting

Business Segments

Business segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by RBI. The Bank operates in the following segments :

a) Treasury

The treasury segment primarily consists of net interest earnings from the Bank's investment portfolio, money market borrowing and lending, gains or losses on investment operations and on account of trading in foreign exchange and derivative contracts.

b) Retail Banking

The retail banking segment serves retail customers through a branch network and other delivery channels. This segment raises deposits from customers and provides loans and other services to customers with the help of specialist product groups. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof.

Revenues of the retail banking segment are derived from interest earned on retail loans, interest earned from other segments for surplus funds placed with those segments, subvention received from dealers and manufacturers, fees from services rendered, foreign exchange earnings on retail products etc. Expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.

c) Wholesale banking

The wholesale banking segment provides loans, non-fund facilities and transaction services to large corporates, emerging corporates, public sector units, government bodies, financial institutions and medium scale enterprises. Revenues of the wholesale banking segment consist of interest earned on loans made to customers, interest / fees earned on the cash float arising from transaction services, earnings from trade services and other non-fund facilities and also earnings from foreign exchange and derivative transactions on behalf of customers. The principal expenses of the segment consist of interest expense on funds borrowed from external sources and other internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, specialist product groups, processing units and support groups.

d) Other banking business

This segment includes income from para banking activities such as credit cards, debit cards, third party product distribution, primary dealership business and the associated costs.

e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes capital and reserves, debt classified as Tier I or Tier II capital and other unallocable assets and liabilities such as deferred tax, prepaid expenses, etc.

Segment revenue includes earnings from external customers plus earnings from funds transferred to other segments. Segment result includes revenue less interest expense less operating expense and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Interest income is charged by a segment that provides funding to another segment, based on yields bench marked to an internally approved yield curve or at a certain agreed transfer price rate. Transaction charges are levied by the retail-banking segment to the wholesale banking segment for the use by its customers of the retail banking segment's branch network or other delivery channels. Such transaction costs are determined on a cost plus basis. Segment capital employed represents the net assets in that segment.

Geographic segments

The geographic segments of the Bank are categorized as Domestic Operations and Foreign Operations. Domestic Operations comprise branches in India and Foreign Operations comprise branches outside India.

For the year ended March 31, 2014

Segment reporting for the year ended March 31, 2014 is given below :

Business segments : (₹ crore)

S. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	11,786.70	40,804.86	19,645.34	5,033.55	77,270.45
2	Unallocated revenue					2.58
3	Less : Inter-segment revenue					28,217.85
4	Income from operations (1) + (2) - (3)					49,055.18
5	Segment results	412.30	5,685.41	5,940.11	1,920.46	13,958.28
6	Unallocated expenses					1,186.21
7	Income tax expense (including deferred tax)					4,293.67
8	Net profit (5) - (6) - (7)					8,478.40
9	Segment assets	160,537.01	169,135.07	143,652.82	14,333.65	487,658.55
10	Unallocated assets					3,940.97
11	Total assets (9) + (10)					491,599.52
12	Segment liabilities	38,125.60	298,225.26	90,597.43	1,737.86	428,686.15
13	Unallocated liabilities					19,434.72
14	Total liabilities (12) + (13)					448,120.87
15	Capital employed (9) - (12)	122,411.41	(129,090.19)	53,055.39	12,595.79	58,972.40
16	Unallocated (10) - (13)					(15,493.75)
17	Total (15) + (16)					43,478.65
18	Capital expenditure	3.16	860.96	21.75	32.35	918.22
19	Depreciation	6.7	531.85	90.93	42.13	671.61

Geographic segments : (₹ crore)

Particulars	Domestic	International
Revenue	48,304.19	750.99
Assets	461,809.17	29,790.35
Capital expenditure	917.53	0.69

Segment reporting for the year ended March 31, 2013 is given below :

Business segments : (₹ crore)

S. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	9,711.02	34,919.65	17,633.82	3,902.56	66,167.05
2	Unallocated revenue					112.77
3	Less : Inter-segment revenue					24,362.33
4	Income from operations (1) + (2) - (3)					41,917.49
5	Segment results	225.00	4,424.15	4,751.96	1,564.12	10,965.23
6	Unallocated expenses					1,214.61
7	Income tax expense (including deferred tax)					3,024.34
8	Net profit (5) - (6) - (7)					6,726.28
9	Segment assets	139,459.18	138,001.73	107,109.05	11,331.21	395,901.17
10	Unallocated assets					4,430.73
11	Total assets (9) + (10)					400,331.90
12	Segment liabilities	24,652.79	234,968.21	82,810.62	1,016.26	343,447.88
13	Unallocated liabilities					20,669.88
14	Total liabilities (12) + (13)					364,117.76
15	Capital employed (9) - (12)	114,806.39	(96,966.48)	24,298.43	10,314.95	52,453.29
16	Unallocated (10) - (13)					(16,239.15)
17	Total (15) + (16)					36,214.14
18	Capital expenditure	100.80	629.46	165.92	116.90	1,013.08
19	Depreciation	52.20	426.34	94.44	78.69	651.67

For the year ended March 31, 2014

Geographic segments : **(₹ crore)**

Particulars	Domestic	International
Revenue	41,529.43	388.06
Assets	386,064.61	14,267.29
Capital expenditure	1,012.67	0.41

24. Related party disclosures

As per AS-18, Related Party Disclosure, the Bank's related parties are disclosed below :

Promoter

Housing Development Finance Corporation Limited

Enterprises under common control of the promoter

- HDFC Asset Management Company Limited
- HDFC Developers Limited
- HDFC Investments Limited
- GRUH Finance Limited
- HDFC ERGO General Insurance Company Limited
- HDFC Ventures Trustee Company Limited
- Griha Investments
- HDFC Education and Development Services Private Limited
- HDFC Property Ventures Limited
- HDFC Life Pension Fund Management Company Limited
- Grandeur Properties Private Limited
- Pentagram Properties Private Limited
- Haddock Properties Private Limited
- HDFC Standard Life Insurance Company Limited
- HDFC Holdings Limited
- HDFC Trustee Company Limited
- HDFC Realty Limited
- HDFC Venture Capital Limited
- HDFC Sales Private Limited
- Credila Financial Services Private Limited
- HDFC Investments Trust
- Griha Pte Limited
- H T Parekh Foundation
- Windermere Properties Private Limited
- Winchester Properties Private Limited

Subsidiaries

HDFC Securities Limited

HDB Financial Services Limited

Associates

Atlas Documentary Facilitators Company Private Limited

HBL Global Private Limited

International Asset Reconstruction Company Private Limited

Welfare trust of the Bank

HDB Employees Welfare Trust

Key management personnel

Aditya Puri, Managing Director

Paresh Sukthankar, Deputy Managing Director

Harish Engineer, Executive Director (retired from the services of the Bank effective September 30, 2013)

Kaizad Bharucha, Executive Director (appointed with effect from December 24, 2013)

Related parties to key management personnel

Salisbury Investments Private Limited, Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad, Sudha Engineer, Shreematiben Engineer, Nikhil Engineer, Uma Engineer, Mahesh Engineer, Havovi Bharucha, Huzaan Bharucha, Danesh Bharucha, Daraius Bharucha.

For the year ended March 31, 2014

In accordance with paragraph 5 of AS-18, the Bank has not disclosed certain transactions with relatives of Key Management Personnel as they are in the nature of banker-customer relationship.

The significant transactions between the Bank and related parties for year ended March 31, 2014 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of all related party transactions in that category :

- Interest paid : Housing Development Finance Corporation Limited ₹ 8.83 crore (previous year : ₹ 9.79 crore); HDFC Standard Life Insurance Company Limited ₹ 8.23 crore (previous year : ₹ 1.10 crore); Atlas Documentary Facilitators Company Private Limited ₹ 4.15 crore (previous year : ₹ 4.08 crore).
- Interest received : HDB Financial Services Limited ₹ 89.32 crore (previous year : ₹ 55.43 crore).
- Rendering of services : HDFC Standard Life Insurance Company Limited ₹ 340.90 crore (previous year : ₹ 472.33 crore); Housing Development Finance Corporation Limited ₹ 130.81 crore (previous year : ₹ 139.59 crore); HDFC ERGO General Insurance Company Limited ₹ 117.40 crore (previous year : ₹ 126.31 crore); HDFC Asset Management Company Limited ₹ 75.19 crore (previous year : ₹ 68.41 crore).
- Receiving of services : HBL Global Private Limited ₹ 492.75 crore (previous year : ₹ 464.56 crore); Atlas Documentary Facilitators Company Private Limited ₹ 430.00 crore (previous year : ₹ 393.48 crore).
- Dividend paid : Housing Development Finance Corporation Limited ₹ 216.27 crore (previous year : ₹ 169.08 crore); HDFC Investments Limited ₹ 82.50 crore (previous year : ₹ 64.50 crore).

The Bank's related party balances and transactions for the year ended March 31, 2014 are summarized as follows : **(₹ crore)**

Items / related party	Promoter	Enterprises under common control of the promoter	Subsidiaries	Associates	Key management personnel	Total
Deposits taken	5,494.84 (5,494.84)	676.99 (720.78)	215.67 (215.67)	85.12 (85.21)	10.25 (14.13)	6,482.87 (6,530.63)
Deposits placed	0.15 (0.15)	3.86 (3.86)	10.52 (10.52)	33.45 (38.45)	2.30 (2.30)	50.28 (55.28)
Advances given	- -	0.05 (0.08)	917.27 (1,002.36)	44.40 (44.70)	0.94 (0.94)	962.66 (1,048.08)
Fixed assets purchased from	-	-	-	0.01	-	0.01
Fixed assets sold to	-	-	-	-	0.01	0.01
Interest paid to	8.83	19.18	1.32	4.25	0.73	34.31
Interest received from	-	8.24	89.32	0.86	0.02	98.44
Income from services rendered to	130.81	534.97	16.71	25.89	-	708.38
Expenses for receiving services from	85.71	168.00	79.03	922.75	0.50	1,255.99
Equity investments	- -	- -	1,510.20 (1,510.20)	31.19 (31.19)	- -	1,541.39 (1,541.39)
Other investments	- -	189.14 (189.14)	- -	39.72 (39.72)	- -	228.86 (228.86)
Dividend paid to	216.27	91.69	-	-	1.71	309.67
Dividend received from	-	-	0.95	0.01	-	0.96
Receivable from	12.49 (12.49)	63.99 (87.34)	0.89 (2.02)	- -	- -	77.37 (101.85)
Payable to	14.32 (14.32)	- -	17.22 (17.22)	23.05 (90.67)	- -	54.59 (122.21)
Guarantees given	0.11 (0.11)	0.04 (0.04)	0.05 (0.05)	- -	- -	0.20 (0.20)
Remuneration paid	-	-	-	-	11.08	11.08
Loans purchased from	5,556.07	-	-	-	-	5,556.07
NPAs sold to	-	-	-	6.42	-	6.42

HDFC BANK
We understand your world

For the year ended March 31, 2014

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Remuneration paid excludes value of employee stock options exercised during the year.

The Bank being an authorised dealer, deals in foreign exchange and derivative transactions with certain parties which includes the promoter and related group companies. The foreign exchange and derivative transactions are undertaken in line with the RBI guidelines. The notional principal amount of foreign exchange and derivative contracts transacted with the promoter that were outstanding as on March 31, 2014 is ₹ 250.00 crore (previous year : ₹ 250.00 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is ₹ 8.82 crore (previous year : ₹ 7.42 crore).

During the year ended March 31, 2014, the Bank purchased securities from Credila Financial Services Private Limited ₹ 236.56 crore (previous year : Nil) and from HDB Financial Services Limited ₹ 65.00 crore (previous year : ₹ 180.00 crore). During the year ended March 31, 2013, the Bank had also purchased securities from HDFC Standard Life Insurance Company Limited ₹ 294.24 crore. During the year ended March 31, 2014, the Bank sold securities to HDFC Standard Life Insurance Company Limited with book values aggregating ₹ 336.88 crore (previous year : ₹ 650.02 crore), to HDFC ERGO General Insurance Company Limited ₹ 24.86 crore (previous year : ₹ 217.16 crore). During the year ended March 31, 2014, the Bank redeemed securities of Credila Financial Services Private Limited ₹ 50.00 crore (previous year : Nil). During the year ended March 31, 2013 the Bank had also sold securities to Key Management Personnel ₹ 5.26 crore.

As of March 31, 2014, investment of HDFC Standard Life Insurance Company Limited in the Bank's tier II bonds amounted to ₹ 85.00 crore (previous year : ₹ 61.00 crore) and that of HDFC ERGO General Insurance Company Limited amounted to ₹ 5.00 crore (previous year : ₹ 5.00 crore).

During the year ended March 31, 2014, the Bank paid rent of ₹ 0.66 crore (previous year : ₹ 0.66 crore) to parties related to the Bank's key management personnel in relation to residential accommodation. As at March 31, 2014, the security deposit outstanding was ₹ 3.50 crore (previous year : ₹ 4.28 crore).

The deposit outstanding from HDB Employees Welfare Trust as of March 31, 2014 was ₹ 45.12 crore (previous year : ₹ 49.66 crore). The Bank also paid interest on deposit from HDB Employees Welfare Trust aggregating to ₹ 4.41 crore (previous year : ₹ 4.55 crore).

The Bank's related party balances and transactions for the year ended March 31, 2013 are summarized as follows :

(₹ crore)

Items / related party	Promoter	Enterprises under common control of the promoter	Subsidiaries	Associates	Key management personnel	Total
Deposits taken	1,985.17	566.11	281.82	44.13	5.67	2,882.90
	(3,193.25)	(729.10)	(369.08)	(48.97)	(6.61)	(4,347.01)
Deposits placed	0.15	-	9.76	38.45	2.22	50.58
	(0.15)	-	(9.76)	(38.45)	(2.22)	(50.58)
Advances given	-	-	643.71	7.98	0.73	652.42
	-	-	(643.71)	(17.93)	(0.73)	(662.37)
Fixed assets purchased from	-	-	-	-	-	-
Fixed assets sold to	-	-	-	-	-	-
Interest paid to	9.79	12.77	2.88	4.12	0.41	29.97
Interest received from	-	-	55.46	1.87	0.04	57.37
Income from services rendered to	139.59	668.68	18.15	20.95	-	847.37
Expenses for receiving services from	47.94	111.07	67.62	858.04	0.60	1,085.27
Equity Investments	-	-	723.62	31.19	-	754.81
	-	-	(748.62)	(31.19)	-	(779.81)

(₹ crore)

Items / related party	Promoter	Enterprises under common control of the promoter	Subsidiaries	Associates	Key management personnel	Total
Other investments	-	-	-	15.67	-	15.67
	-	-	-	(21.31)	-	(21.31)
Dividend paid to	169.08	68.83	-	-	1.15	239.06
Dividend received from	-	-	0.76	0.01	-	0.77
Receivable from	13.97	101.74	0.32	2.42	-	118.45
	(13.97)	(101.74)	(1.59)	(2.42)	-	(119.72)
Payable to	-	-	12.71	66.87	-	79.58
	(8.12)	-	(12.95)	(107.23)	-	(128.30)
Guarantees given	0.10	0.13	0.05	-	-	0.28
	(0.10)	(0.13)	(0.05)	-	-	(0.28)
Remuneration paid	-	-	-	-	11.95	11.95
Loans purchased from	5,164.40	-	27.72	-	-	5,192.12

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Remuneration paid excludes value of employee stock options exercised during the year.

25. Leases

Operating leases primarily comprise office premises, staff residences and Automated Teller Machines ('ATMs'), which are renewable at the option of the Bank. The details of maturity profile of future operating lease payments are given below :

(₹ crore)

Period	March 31, 2014	March 31, 2013
Not later than one year	679.84	611.59
Later than one year and not later than five years	2,286.63	2,076.89
Later than five years	1,239.62	1,021.66
Total	**4,206.09**	**3,710.14**
The total of minimum lease payments recognised in the Statement of Profit and Loss for the year	765.57	700.61
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	74.78	64.30
Sub-lease amounts recognised in the Statement of Profit and Loss for the year	29.70	24.22
Contingent (usage based) lease payments recognized in the Statement of Profit and Loss for the year	133.29	105.55

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

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

26. Penalties levied by the RBI

During the year ended March 31, 2014, the RBI imposed a penalty of ₹ 4.50 crore on the Bank for certain irregularities and violations discovered by the RBI, viz., non-observance of certain safeguards in respect of arrangement of "at par" payment of cheques drawn by cooperative banks, exceptions in periodic review of risk profiling of account holders, non-adherence to KYC rules for walk-in customers (non-customers) including for sale of third party products, sale of gold coins for cash in excess of ₹ 50,000 in certain cases and non-submission of proper information required by the RBI.

27. Disclosure for customer complaints / unimplemented awards of Banking Ombudsman

- **Customer complaints**

(A) Customer complaints other than ATM transaction disputes

Particulars	March 31, 2014	March 31, 2013
(a) No. of complaints pending at the beginning of the year	2,293	1,417
(b) No. of complaints received during the year	123,860	132,619
(c) No. of complaints redressed during the year	125,698	131,743
(d) No. of complaints pending at the end of the year	455	2,293

(B) ATM transaction disputes relating to the Bank's customers on the Bank's ATMs

Particulars	March 31, 2014	March 31, 2013
(a) No. of complaints pending at the beginning of the year	183	234
(b) No. of complaints received during the year	12,586	24,461
(c) No. of complaints redressed during the year	12,610	24,512
(d) No. of complaints pending at the end of the year	159	183
(e) Complaints per ten thousand transactions	0.45	0.86

(C) ATM transaction disputes relating to the Bank's customers on other banks' ATMs

Particulars	March 31, 2014	March 31, 2013
(a) No. of complaints pending at the beginning of the year	1,570	3,643
(b) No. of complaints received during the year	127,955	155,918
(c) No. of complaints redressed during the year	127,924	157,991
(d) No. of complaints pending at the end of the year	1,601	1,570
(e) Complaints per ten thousand transactions	6.44	8.63

(D) Total customer complaints and ATM transaction disputes [total of tables (A), (B) and (C) above]

Particulars	March 31, 2014	March 31, 2013
(a) No. of complaints pending at the beginning of the year	4,046	5,294
(b) No. of complaints received during the year	264,401	312,998
(c) No. of complaints redressed during the year	266,232	314,246
(d) No. of complaints pending at the end of the year	2,215	4,046

Note : ATM transaction disputes reported in the above tables are in accordance with RBI guidelines on disclosure of customer complaints.

- **Unimplemented awards of Banking Ombudsmen (BO)**

Particulars	March 31, 2014	March 31, 2013
(a) No. of unimplemented awards at the beginning of the year	Nil	Nil
(b) No. of awards passed by the BO during the year	1	2
(c) No. of awards implemented during the year	1	2
(d) No. of unimplemented awards at the end of the year	Nil	Nil

For the year ended March 31, 2014

- **Top areas of customer complaints**

  The average number of customer complaints per branch, including ATM transaction disputes, was 6.2 per month during the year ended March 31, 2014 (previous year : 8.0 per month). For the year ended March 31, 2014, retail branch banking segment accounted for 74.19% of the total complaints (an increase from 74.12% for the previous year) followed by credit cards at 17.22% of the total complaints (an increase from 12.99% for the previous year), retail assets at 4.04% of the total complaints (a reduction from 6.90% for the previous year), while other segments accounted for 4.55% of total complaints (as against 5.99% in the previous year). The top 10 areas of customer complaints for the year ended March 31, 2014, including ATM transaction disputes, accounted for 67.05% of total complaints as against 66.83% for the year ended March 31, 2013. The top 5 areas of customer complaints on which the Bank is working towards root cause remediation are - 'cash not dispensed or less cash dispensed in the Bank's ATMs', 'statement related - credit cards', 'address change request given at branch not done', 'instant account not activated - personal details not updated' and 'Sales related - credit cards'.

- **Position of BO complaints as per RBI annual report**

  As per a report published by the RBI for the year ended June 30, 2013, the number of BO complaints per branch for the Bank was 1.67 (previous year : 2.28). The number of BO complaints other than credit cards per 1,000 accounts was at 0.11 (previous year : 0.15). The number of BO complaints (credit card related) per 1,000 cards was at 0.08 (previous year : 0.06) for the Bank.

28. Disclosure of Letter of Comforts (LoCs) issued by the Bank

The Bank has not issued any Letter of Comfort during the years ended March 31, 2014 and March 31, 2013.

29. Small and micro industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments.

30. Overseas assets, NPAs and revenue **(₹ crore)**

Particulars	March 31, 2014	March 31, 2013
Total Assets	29,790.35	14,267.29
Total NPAs	37.45	Nil
Total Revenue	750.99	388.06

31. Off-Balance sheet SPVs

There are no Off-Balance Sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.

32. Credit Default Swaps

The Bank has not transacted in credit default swaps during the year ended March 31, 2014 (previous year : Nil).

33. Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation

As per our report of even date.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W

Akeel Master
Partner
Membership No.: 046768

Mumbai, April 22, 2014

For and on behalf of the Board

C. M. Vasudev
Chairman

Paresh Sukthankar
Deputy Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Aditya Puri
Managing Director

Kaizad Bharucha
Executive Director

Sashidhar Jagdishan
Chief Financial Officer

Bobby Parikh
Partho Datta
Pandit Palande
Vijay Merchant
Keki Mistry
Renu Karnad
Directors

1 **Scope of Application :**

Top bank in the group

The Basel III Capital Regulation ('Basel III') is applicable to HDFC Bank Limited (hereinafter referred to as the 'Bank') and its two subsidiaries (HDFC Securities Limited and HDB Financial Services Limited) which together constitute the Group in line with the Reserve Bank of India ('RBI') guidelines on the preparation of consolidated prudential reports. The Basel III capital regulations were effective April 1, 2013 as per RBI guidelines. Accordingly, previous year figures of capital computation and risk weighted assets are not comparable.

Accounting and regulatory consolidation

For the purpose of financial reporting, the Bank consolidates its subsidiaries in accordance with Accounting Standard ('AS') -21, Consolidated Financial Statements, on a line-by-line basis by adding together like items of assets, liabilities, income and expenditure. Investments in associates are accounted for by the equity method in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements.

For the purpose of consolidated prudential regulatory reporting, the consolidated Bank includes all group entities under its control, except group companies which are engaged in insurance business and businesses not pertaining to financial services. Details of subsidiaries and associates of the Bank along with the consolidation status for accounting and regulatory purposes are given below :

Name of entity [Country of incorporation]	Included under accounting scope of consolidation	Method of accounting consolidation	Included under regulatory scope of consolidation	Method of regulatory consolidation	Reasons for difference in the method of consolidation	Reasons for consolidation under one of the scope of consolidation
HDFC Securities Limited ('HSL') [India]	Yes	Consolidated in accordance with AS-21, Consolidated Financial Statements.	Yes	Consolidated in accordance with AS-21, Consolidated Financial Statements.	Not applicable	Not applicable
HDB Financial Services Limited ('HDBFS') [India]	Yes	Consolidated in accordance with AS-21, Consolidated Financial Statements.	Yes	Consolidated in accordance with AS-21, Consolidated Financial Statements.	Not applicable	Not applicable
HDB Employee Welfare Trust ('HDBEWT') [India]	Yes	Consolidated in accordance with AS-21, Consolidated Financial Statements.	No	Not applicable	Not applicable	HDBEWT provides relief to employees and / or their dependents such as medical relief, educational relief. The Bank has no investment in this entity.
Atlas Documentary Facilitators Company Private Limited ('ADFC') [India]	Yes	Accounted for by the equity method in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements.	No	Not applicable	Not applicable	ADFC is a non-financial entity. Bank's investment in ADFC has been risk weighted for capital adequacy purposes.
HBL Global Private Limited ('HBL') [India]	Yes	Accounted for by the equity method in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements.	No	Not applicable	Not applicable	HBL is a non-financial entity. HBL is a subsidiary of ADFC.The Bank has no investment in this entity.
International Asset Reconstruction Company Private Limited ('IARCL') [India]	Yes	Accounted for by the equity method in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements.	No	Not applicable	Not applicable	Bank's investment has been risk weighted for capital adequacy purposes.

Group entities not considered for consolidation under both accounting scope and regulatory scope

There are no group entities that are not considered for consolidation under both the accounting scope of consolidation and regulatory scope of consolidation.

Group entities considered for regulatory scope of consolidation

Regulatory scope of consolidation refers to consolidation in such a way as to result in the assets of the underlying group entities being included in the calculation of consolidated risk-weighted assets of the group. Following is the list of group entities considered under regulatory scope of consolidation.

Name of entity [Country of incorporation]	Principal activity of the entity	Total balance sheet equity*as of March 31, 2014 (per accounting balance sheet)	Total balance sheet assets as of March 31, 2014 (per accounting balance sheet)
HDFC Securities Limited ('HSL') [India]	Stock broking	₹ 4,421.7 million (₹ 3,712.7 million)	₹ 8,587.5 million (₹ 5,441.2 million)
HDB Financial Services Limited ('HDBFS') [India]	Retail assets financing	₹ 16,285.0 million (₹ 8,735.3 million)	₹ 136,894.0 million (₹ 83,033.1 million)

**comprised of equity share capital and reserves & surplus*

Figures in brackets denote numbers for the previous year

Capital deficiency in subsidiaries

There is no capital deficiency in the subsidiaries of the Bank as of March 31, 2014 (previous year : Nil).

Investment in insurance entities

As of March 31, 2014, the Bank does not have investment in any insurance entity (previous year : Nil).

Restrictions on transfer of funds within the Group

There are no restrictions or impediments on transfer of funds or regulatory capital within the Group as of March 31, 2014 (previous year : Nil).

2 Capital Adequacy

Assessment of capital adequacy

The Bank has a process for assessing its overall capital adequacy in relation to the Bank's risk profile and a strategy for maintaining its capital levels. The process provides an assurance that the Bank has adequate capital to support all risks inherent to its business and an appropriate capital buffer based on its business profile. The Bank identifies, assesses and manages comprehensively all risks that it is exposed to through sound governance and control practices, robust risk management framework and an elaborate process for capital calculation and planning.

The Bank has a comprehensive Internal Capital Adequacy Assessment Process ('ICAAP'). The Bank's ICAAP covers the capital management policy of the Bank, sets the process for assessment of the adequacy of capital to support current and future activities / risks and a report on the capital projections for a period of 2 to 3 years.

The Bank has a structured management framework in the internal capital adequacy assessment process 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. The Bank considers the following as material risks it is exposed to in the normal course of its business and therefore, factors these while assessing / planning capital :

- Credit Risk, including residual risks
- Market Risk
- Operational Risk
- Interest Rate Risk in the Banking Book
- Liquidity Risk
- Intraday risk
- Model Risk
- Credit Concentration Risk
- Business Risk
- Strategic Risk
- Compliance Risk
- Reputation Risk
- Technology Risk
- Counterparty Credit Risk

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The Bank has implemented a Board approved Stress Testing Framework which forms an integral part of the Bank's ICAAP. Stress Testing involves the use of various techniques to assess the Bank's potential vulnerability to extreme but plausible stressed business conditions. The changes in the levels of Credit Risk, Market Risk, Liquidity Risk and Interest Rate Risk in the Banking Book ('IRRBB') and the changes in the on and off balance sheet positions of the Bank are assessed under assumed "stress" scenarios. Typically, these relate, inter alia, to the impact on the Bank's profitability and capital adequacy. Stress tests are conducted on a quarterly basis and the stress test results are put up to the Risk Policy & Monitoring Committee of the Board on a half yearly basis and to the Board annually, for their review and guidance. The Bank periodically assesses and refines its stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of business environment conditions. The stress tests are used in conjunction with the Bank's business plans for the purpose of capital planning in the ICAAP.

Capital requirements for credit risk **(Amounts in ₹ million)**

Particulars	March 31, 2014	March 31, 2013*
Portfolios subject to standardised approach	272,864.8	236,550.8
Securitisation exposures	12,477.3	10,267.4
Total	**285,342.1**	**246,818.2**

** computed as per Basel II - New Capital Adequacy Framework*

Capital requirements for market risk **(Amounts in ₹ million)**

Standardised duration approach	March 31, 2014	March 31, 2013*
Interest rate risk	8,377.7	7,552.5
Equity risk	765.5	5,910.4
Foreign exchange risk (including gold)	1,260.0	270.0
Total	**10,403.2**	**13,732.9**

** computed as per Basel II - New Capital Adequacy Framework*

Capital requirements for operational risk **(Amounts in ₹ million)**

Particulars	March 31, 2014	March 31, 2013
Basic indicator approach	28,100.9	22,564.6

Common Equity Tier 1 ('CET1'), Tier 1 and Total capital ratios (computed as per Basel III capital regulations)

The minimum capital requirements under Basel III will be phased-in as per the guidelines prescribed by RBI. Accordingly, the Bank is required to maintain a minimum CET1 capital ratio of 5.0%, a minimum Tier I capital ratio of 6.5% and a minimum total capital ratio of 9.0% as of March 31, 2014. The Bank's position in this regard is as follows :

Particulars	Standalone	Consolidated
	March 31, 2014	March 31, 2014
CET1 capital ratio	11.77%	11.72%
Tier I capital ratio	11.77%	11.72%
Total capital ratio	16.07%	16.00%

Note : Subordinated debt instruments issued by HDBFS have not been considered as eligible capital instruments under the Basel III transitional arrangements.

Disclosures pertaining to composition of capital, including the capital disclosure templates, have been disclosed separately on the Bank's website under the 'Regulatory Disclosures Section'.

Total and Tier I capital ratios (computed as per Basel II - New Capital Adequacy Framework)

Particulars	Standalone	Consolidated
	March 31, 2013	March 31, 2013
Tier I capital ratio	11.08%	11.01%
Total capital ratio	16.80%	16.90%

3 Credit Risk

Credit Risk Management

Credit risk is defined as the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. In a bank's portfolio, losses stem from outright default due to inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions.

Architecture

The Bank has a comprehensive credit risk management architecture. The Board of Directors of the Bank endorses the credit risk strategy and approves the credit risk policies of the Bank. This is done taking into consideration the Bank's risk appetite, derived from perceived risks in the business, balanced by the targeted profitability level for the risks taken up. The Board oversees the credit risk management functions of the Bank. The Risk Policy & Monitoring Committee ('RPMC'), which is a committee of the Board, guides the development of policies, procedures and systems for managing credit risk, towards implementing the credit risk strategy of the Bank. The RPMC ensures that these are adequate and appropriate to changing business conditions, the structure and needs of the Bank and the risk appetite of the Bank. The RPMC periodically reviews the Bank's portfolio composition and the status of impaired assets.

The Bank's Credit & Market Risk Group drives credit risk management centrally in the Bank. It is primarily responsible for implementing the risk strategy approved by the Board, developing procedures and systems for managing risk, carrying out an independent assessment of credit and market risk, approving individual credit exposures and monitoring portfolio composition and quality. Within the Credit & Market Risk group and independent of the credit approval process, there is a framework for review and approval of credit ratings. With regard to the Wholesale Banking business, the Bank's risk management functions are centralised. In respect of the Bank's Retail Assets business, while the various functions relating to policy, portfolio management and analytics are centralised, the underwriting function is distributed across various geographies within the country. The risk management function in the Bank is clearly demarcated and independent from the operations and business units of the Bank. The risk management function is not assigned any business targets.

Credit Process

The Bank expects to achieve its earnings objectives and to satisfy its customers' needs while maintaining a sound portfolio. Credit exposures are managed through target market identification, appropriate credit approval processes, post-disbursement monitoring and remedial management procedures.

There are two different credit management models within which the credit process operates - the Retail Credit Model and the Wholesale Credit Model. The Retail Credit Model is geared towards high volume, small transaction sized businesses wherein credit appraisals of fresh exposures are guided by statistical models and are managed on the basis of aggregate product portfolios. The Wholesale Credit Model on the other hand, is relevant to lower volume, larger transaction size, customised products and relies on a judgmental process for the origination, approval and maintenance of credit exposures.

The credit models have two alternatives for managing the credit process - Product Programs and Credit Transactions. In Product Programs, the Bank approves maximum levels of credit exposure to a set of customers with similar characteristics, profiles and / or product needs, under clearly defined standard terms and conditions. This is a cost-effective approach to managing credit where credit risks and expected returns lend themselves to a template-based approach or predictable portfolio behavior in terms of yield, delinquency and write-off. Given the high volume environment, automated tracking and reporting mechanisms are important to identify trends in portfolio behavior early and to initiate timely adjustments. In the case of credit transactions, the risk process focuses on individual customers or borrower relationships. The approval process in such cases is based on detailed analysis and the individual judgment of credit officials, often involving complex products or risks, multiple facilities / structures and types of securities.

The Bank's Credit Policies & Procedures Manual and Credit Programs, where applicable, form the core to controlling credit risk in various activities and products. These articulate the credit risk strategy of the Bank and thereby the approach for credit origination, approval and maintenance. These policies define the Bank's overall credit granting criteria, including the general terms and conditions. The policies / programs generally address areas such as target markets / customer segmentation, qualitative and quantitative assessment parameters, portfolio mix, prudential exposure ceilings, concentration limits, price and non-price terms, structure of limits, approval authorities, exception reporting system, prudential accounting and provisioning norms, etc. They take cognizance of prudent and prevalent banking practices, relevant regulatory requirements, nature and complexity of the Bank's activities, market dynamics etc.

Credit concentration risk arises mainly on account of concentration of exposures under various categories including industry, products, geography, underlying collateral nature and single / group borrower exposures. To ensure adequate diversification of risk, concentration ceilings have been set up by the Bank on different risk dimensions, in terms of borrower / business group, industry and risk grading.

The RPMC sets concentration ceilings and the Credit & Market Risk Group monitors exposure level under each dimension and ensures that the portfolio profile meets the approved concentration limits. These concentration ceilings and exposure levels are periodically reported to the Board. The regulatory prudential norms with respect to ceilings on credit exposure to individual borrowers or group of borrowers also ensure that the Bank avoids concentration of exposure.

As an integral part of the credit process, the Bank has a fairly sophisticated credit rating model appropriate to each market segment in Wholesale Credit. The models follow principles similar to those of international rating agencies. In Retail Credit, score cards have been introduced in the smaller ticket, higher volume products like credit cards, two wheeler loans and auto loans. For the other retail products which are typically less granular or have higher ticket sizes, loans are underwritten based on the credit policies, which are in turn governed by the respective Board approved product programs. All retail portfolios are monitored regularly at a highly segmented level.

Management monitors overall portfolio quality and high-risk exposures periodically, including the weighted risk grade of the portfolio and industry diversification. Additional to, and independent of, the internal grading system and the RBI norms on asset classification, the Bank has a labeling system, where individual credits are labeled based on the degree of risk perceived in them by the Bank. Remedial strategies are developed once a loan is identified as an adversely labeled credit.

Definition of Non-Performing Assets

The Bank follows extant guidelines of the RBI on income recognition, asset classification and provisioning. A Non-Performing Asset ('NPA') is a loan or an advance where :

a) Interest and / or installment of principal remain overdue for a period of more than 90 days in respect of a term loan.

b) The account remains 'out of order', in respect of an overdraft / cash credit ('OD' / 'CC'). An account is treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power or where there are no credits continuously for 90 days as on the date of balance sheet or credits are not enough to cover the interest debited during the same period.

c) The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.

d) The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops.

e) The installment of principal or interest thereon remains overdue for one crop season for long duration crops.

f) Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

g) The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of RBI's guidelines on securitisation dated February 1, 2006.

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

Any amount due to the Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank. The Bank will classify an account as NPA if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter. When a particular facility of a borrower has become non-performing, the facilities granted by the Bank to that borrower (whether a wholesale or retail borrower) will be classified as NPA and not the particular facility alone which triggered the NPA classification for that borrower.

Advances against term deposits, National Savings Certificates eligible for surrender, Indira Vikas Patras, Kisan Vikas Patras and Life Insurance policies need not be treated as NPAs, provided adequate margin is available in the accounts. Credit facilities backed by the Central Government though overdue may be treated as NPA only when the Government repudiates its guarantee when invoked. State Government guaranteed advances and investments in State Government guaranteed securities would attract asset classification and provisioning norms if interest and / or principal or any other amount due to the Bank remains overdue for more than 90 days.

A loan for an infrastructure project will be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue), unless it is restructured and becomes eligible for classification as 'standard asset' in terms of conditions laid down in the related RBI guidelines. A loan for an infrastructure project will be classified as NPA if it fails to commence commercial operations within two years from the original Date of Commencement of Commercial Operations ('DCCO'), even if it is regular as per record of recovery, unless it is restructured and becomes eligible for classification as 'standard asset' in terms of conditions laid down in the related RBI guidelines.

A loan for a non-infrastructure project (other than commercial real estate exposures) will be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue), unless it is restructured and becomes eligible for classification as 'standard asset' in terms of conditions laid down in the related RBI guidelines. A loan for a non-infrastructure project (other than commercial real estate exposures) will be classified as NPA if it fails to commence commercial operations within one year from the original DCCO, even if is regular as per record of recovery, unless it is restructured and becomes eligible for classification as 'standard asset' in terms of conditions laid down in the related RBI guidelines.

A loan for commercial real estate project will be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue), or if the project fails to commence commercial operations within one year from the original DCCO or if the loan is restructured.

Non-performing assets are classified into the following three categories :

- **Sub-standard Assets**

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

- **Doubtful Assets**

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

- **Loss Assets**

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

Interest on non-performing assets is not recognised in the profit / loss account until received. Specific provision for non-performing assets is made based on Management's assessment of their degree of impairment subject to the minimum provisioning level prescribed by RBI.

Geographic distribution of gross credit risk exposures **(Amounts in ₹ million)**

Exposure distribution	March 31, 2014			March 31, 2013		
	Fund Based*	Non-Fund Based**	Total	Fund Based*	Non-Fund Based**	Total
Domestic	3,183,539.5	402,418.6	3,585,958.1	2,624,090.8	382,949.5	3,007,040.3
Overseas	242,329.0	35,915.8	278,244.8	100,980.3	3,993.6	104,973.9
Total	**3,425,868.5**	**438,334.4**	**3,864,202.9**	**2,725,071.1**	**386,943.1**	**3,112,014.2**

** Fund based exposures comprise loans & advances including bills re-discounted and investments in debenture & bonds, commercial papers, security receipts, on-balance sheet securitisation exposures purchased or retained and deposits with NABARD, SIDBI & NHB under the priority / weaker section lending schemes.*

***Non-fund based exposures comprise guarantees, acceptances, endorsements and letters of credit.*

Industry-wise distribution of exposures : **(Amounts in ₹ million)**

Industry	As on March 31, 2014	
	Fund based	Non-fund based
Agriculture and Allied Activities	155,559.1	544.5
Automobile and Auto Ancillary	150,948.5	13,226.9
Banks and Financial Institutions	179,642.2	3,150.7
Capital Market Intermediaries	14,943.8	21,198.0
Cement and Products	22,720.0	5,990.9
Chemical and Products	34,344.6	7,361.8
Coal and Petroleum Products	69,725.4	59,704.1
Construction and Developers (Infrastructure)	49,081.7	22,146.6
Consumer Durables	11,828.7	4,553.4
Drugs and Pharmaceuticals	26,478.5	3,612.3
Engineering	57,349.9	38,551.4
Fertilizers and Pesticides	28,671.9	8,273.4
FMCG & Personal Care	8,784.8	1,643.3
Food and Beverage	100,588.0	5,701.1
Gems and Jewelry	28,995.5	3,604.9
Housing Finance Companies	40,867.8	455.4
Information Technology	12,654.4	7,278.1
Iron and Steel	85,224.9	19,958.0
Mining and Minerals	18,206.7	4,686.0
NBFC / Financial Intermediaries	84,099.2	395.4
Non-ferrous Metals	23,913.4	35,499.8
Paper, Printing and Stationery	19,034.4	1,875.7
Plastic and products	13,876.4	2,526.8
Power	76,904.4	14,388.0
Real Estate and Property Services*	58,851.1	9,916.3
Retail Assets**	1,332,220.9	62,057.0
Retail Trade	99,209.6	3,121.6
Road Transportation***	149,869.3	2,398.4
Services	96,574.6	14,778.2
Telecom	33,853.6	13,372.2
Textiles and Garments	47,665.0	10,324.7
Wholesale Trade	227,766.3	26,849.8
Other Industries****	65,413.9	9,189.7
Total	**3,425,868.5**	**438,334.4**

* 'Details of exposure to real estate sector' as disclosed in the Notes forming part of the Financial Statements is as per RBI guidelines, which includes exposure to borrowers in the real estate industry, investment in home finance institutions, securitization, etc.

** Comprises auto loans, consumer loans, credit cards, home loans, personal loans, two wheeler loans, business loans not elsewhere classified.

*** Includes retail commercial vehicle financing.

**** Covers industries such as airlines, fishing, glass & products, leather & products, media & entertainment, other non-metallic mineral products, railways, rubber & products, shipping, tobacco & products, wood & products, each of which is less than 0.25% of the total exposure.

(Amounts in ₹ million)

Industry	As on March 31, 2013	
	Fund based	Non-fund based
Agriculture and Allied Activities	51,213.7	1,166.4
Automobile and Auto Ancillary	109,555.8	12,472.7
Banks and Financial Institutions	179,430.0	3,705.2
Capital Market Intermediaries	15,792.2	19,631.9
Cement and Cement Products	15,597.7	3,970.2
Chemical and Chemical Products	27,342.0	4,540.6
Coal and Petroleum Products	48,885.1	70,147.5
Construction and Developers (Infrastructure)	27,537.9	15,276.2
Consumer Durables	9,479.8	4,168.4
Drugs and Pharmaceuticals	16,596.8	3,995.2
Engineering	43,676.6	32,362.9
Fertilizers and Pesticides	19,672.3	12,311.7
Food and Beverage	70,361.8	4,939.8
Gems and Jewelry	41,639.8	1,355.5
Housing Finance Companies	15,026.0	7.5
Information Technology	10,684.6	5,559.8
Iron and Steel	53,220.7	22,326.7
Mining and Minerals	11,619.3	3,557.8
NBFC / Financial Intermediaries	63,547.3	1,126.1
Non-ferrous Metals	24,311.1	40,595.9
Paper, Printing and Stationery	12,541.7	2,671.0
Plastic and products	9,367.6	2,413.9
Power	53,645.5	11,222.0
Real Estate and Property Services*	38,411.5	8,554.5
Retail Assets**	1,150,572.3	15,299.0
Retail Trade	71,033.2	2,655.5
Road Transport***	157,579.2	1,929.0
Services	73,247.1	14,376.8
Telecom	17,239.0	6,509.3
Textiles and Garments	31,060.0	9,512.4
Wholesale Trade	178,460.9	36,930.1
Other Industries****	76,722.6	11,651.6
Total	**2,725,071.1**	**386,943.1**

* 'Details of exposure to real estate sector' as disclosed in the Notes forming part of the Financial Statements is as per RBI guidelines, which includes exposure to borrowers in the real estate industry, investment in home finance institutions, securitization, etc.

** Comprises auto loans, consumer loans, credit cards, home loans, personal loans, two wheeler loans, business loans except where otherwise classified.

*** Includes retail commercial vehicle financing.

**** Covers other industries such as glass and products, leather and products, media and entertainment, other non-metallic mineral products, railways, rubber and products, shipping, tobacco and products, wood and products, airlines, fishing and FMCG and personal care each of which is less than 0.25% of the total exposure.

Exposures to industries (other than retail assets) in excess of 5% of total exposure

(Amounts in ₹ million)

Industry	As on March 31, 2014	
	Fund based	Non-fund based
Wholesale Trade	227,766.3	26,849.8

(Amounts in ₹ million)

Industry	As on March 31, 2013	
	Fund based	Non-fund based
Road Transport	157,579.2	1,929.0
Banks and Financial Institutions	179,430.0	3,705.2
Wholesale Trade	178,460.9	36,930.1

Residual contractual maturity breakdown of assets

- **As on March 31, 2014** **(Amounts in ₹ million)**

Maturity buckets	Cash and balances with RBI	Balances with banks and money at call and short notice	Investments	Advances*	Fixed assets	Other assets	Grand total
1 to 14 days	119,457.9	115,735.1	252,315.9	174,993.1	-	20,841.3	683,343.3
15 to 28 days	3,935.1	1,029.0	28,728.3	82,972.7	-	31,540.7	148,205.8
29 days to 3 months	7,334.5	8,157.3	55,278.7	352,798.8	-	14,374.2	437,943.5
3 to 6 months	12,133.1	872.5	95,433.9	252,613.6	-	7,194.6	368,247.7
6 months to 1 year	6,961.5	11,287.8	72,981.4	307,673.6	-	384.4	399,288.7
1 to 3 years	60,605.5	2,295.5	352,356.1	1,480,040.2	-	182,530.1	2,077,827.4
3 to 5 years	2,093.3	6,058.6	63,423.8	251,150.4	-	38.0	322,764.1
Above 5 years	41,051.3	126.3	275,192.5	251,946.2	30,262.8	-	598,579.1
Total	**253,572.2**	**145,562.1**	**1,195,710.6**	**3,154,188.6**	**30,262.8**	**256,903.3**	**5,036,199.6**

** Excludes bills re-discounted.*

- **As on March 31, 2013** **(Amounts in ₹ million)**

Maturity buckets	Cash and balances with RBI	Balances with banks and money at call and short notice	Investments	Advances*	Fixed assets	Other assets	Grand total
1 to 14 days	23,937.0	72,542.5	207,108.1	146,837.2	-	27,146.7	477,571.5
15 to 28 days	2,975.6	1,227.2	26,921.0	69,502.6	-	26,527.5	127,153.9
29 days to 3 months	5,709.4	8,219.6	75,661.3	229,209.8	-	14,504.7	333,304.8
3 to 6 months	10,860.6	19,074.8	71,830.2	231,635.4	-	6,673.5	340,074.5
6 months to 1 year	7,279.0	21,309.5	77,675.6	265,219.0	-	955.2	372,438.3
1 to 3 years	56,964.8	984.2	343,476.6	1,132,929.1	-	116,297.0	1,650,651.7
3 to 5 years	1,838.5	5,526.1	50,516.9	195,594.0	-	25.2	253,500.7
Above 5 years	36,743.9	119.0	256,414.4	201,524.1	27,733.2	-	522,534.6
Total	**146,308.8**	**129,002.9**	**1,109,604.1**	**2,472,451.2**	**27,733.2**	**192,129.8**	**4,077,230.0**

** Excludes bills re-discounted.*

Asset quality **(Amounts in ₹ million)**

Particulars	March 31, 2014	March 31, 2013
NPA ratios		
a) Gross NPAs to gross advances	0.98%	0.95%
b) Net NPAs to net advances	0.28%	0.20%
Amount of Net NPAs		
Gross NPAs	31,007.5	23,739.2
Less: Provisions	22,223.8	18,829.1
Net NPAs	8,783.7	4,910.1
Classification of Gross NPAs		
Sub-standard	15,345.0	9,508.5
Doubtful*		
• Doubtful 1	4,035.2	4,953.4
• Doubtful 2	5,809.9	3,309.5
• Doubtful 3	1,297.1	946.6
Loss	4,520.3	5,021.2
Total Gross NPAs	**31,007.5**	**23,739.2**

** Doubtful 1, 2 and 3 categories correspond to the period for which asset has been doubtful viz., up to one year ('Doubtful 1'), one to three years ('Doubtful 2') and more than three years ('Doubtful 3').*

Note: NPAs include all assets that are classified as non-performing.

(Amounts in ₹ million)

Particulars	March 31, 2014	March 31, 2013
Movement of Gross NPAs		
Opening balance	23,739.2	20,031.7
Additions during the year	48,756.3	32,118.3
Reductions	(41,487.9)	(28,410.8)
Closing balance	31,007.6	23,739.2
Movement of provisions for NPAs		
Opening balance	18,829.1	16,489.8
Provisions made during the year	30,936.3	22,294.0
Write-off	(15,437.8)	(11,653.3)
Write-back of excess provisions	(12,103.7)	(8,301.4)
Closing balance	**22,223.9**	**18,829.1**

The Bank had hitherto computed additions and reductions by comparing NPAs outstanding at the beginning and at the end of the reporting period. Based on a clarification from RBI that additions and reductions should include slippages and the related upgradation / recoveries even if these are within the same reporting period, the Bank has accordingly reflected these additions / reductions and the related provisions in the above table. Further, slippages and the related upgradation / recoveries that may occur on more than one occasion for the same customer in the reporting period are aggregated and accordingly counted more than once under additions and under reductions respectively, in the above table. As a result, the additions to NPAs and reduction in NPAs on account of upgradation / recoveries have both increased by the same amount and the amounts of opening NPAs, closing NPAs, write offs and the related provisions remained unchanged. Previous year's figures have accordingly been re-classified.

Non-performing investments **(Amounts in ₹ million)**

Particulars	March 31, 2014	March 31, 2013
Gross non-performing investments	1,108.8	1,654.6
Less: Provisions	1,014.7	1,582.9
Net non-performing investments	**94.1**	**71.7**

Provision for depreciation on investments **(Amounts in ₹ million)**

Particulars	March 31, 2014	March 31, 2013
Opening balance	2,382.7	2,269.3
Provisions made during the year	627.5	1,054.7
Write-off	(532.0)	(161.6)
Write-back of excess provisions	(728.7)	(779.7)
Closing balance	**1,749.5**	**2,382.7**

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

4. Credit Risk : Portfolios subject to the Standardised Approach

Standardised approach

The Bank has used the Standardised Approach for the entire credit portfolio.

For exposure amounts after risk mitigation subject to the standardised approach (including exposures under bills re-discounting transactions, if any), the Bank's outstanding (rated and unrated) in three major risk buckets as well as those that are deducted, are as follows :

(Amounts in ₹ million)

Gross credit exposure	March 31, 2014	March 31, 2013
Below 100% risk weight	1,549,738.2	1,262,143.2
100% risk weight	1,370,459.4	984,786.9
More than 100% risk weight	943,986.9	865,084.1
Deducted	18.4	-
Total	**3,864,202.9**	**3,112,014.2**

Note: Gross credit exposure is comprised of loans & advances, bills re-discounted aggregating ₹ 4,000.0 million (previous year : ₹ 21,000.0 million), investments in debenture & bonds, commercial papers, security receipts, on-balance sheet securitisation exposures purchased or retained and deposits with NABARD, SIDBI & NHB under the priority / weaker section lending schemes, guarantees, acceptances, endorsements and letters of credit.

Treatment of undrawn exposures

As required by the regulatory norms, the Bank holds capital even for the undrawn portion of credit facilities which are not unconditionally cancellable by the Bank, by converting such exposures into a credit exposure equivalent based on the applicable Credit Conversion Factor ('CCF'). For unconditionally cancellable credit facilities the Bank applies a CCF of zero percent.

Credit rating agencies

The Bank is using the ratings assigned by the following domestic external credit rating agencies, approved by the RBI, for risk weighting claims on domestic entities :

- Credit Analysis and Research Limited ('CARE')
- Credit Rating Information Services of India Limited ('CRISIL')
- ICRA Limited ('ICRA')
- India Ratings and Research Private Limited (earlier known as Fitch India)

The Bank is using the ratings assigned by the following international credit rating agencies, approved by the RBI, for risk weighting claims on overseas entities :

- Fitch Ratings
- Moody's
- Standard & Poor's

Types of exposures for which each agency is used

The Bank has used the solicited ratings assigned by the above approved credit rating agencies for all eligible exposures, both on balance sheet and off balance sheet, whether short term or long term, in the manner permitted in the RBI guidelines on Basel III capital regulations. The Bank has not made any discrimination among ratings assigned by these agencies nor has restricted their usage to any particular type of exposure.

Public issue ratings transferred onto comparable assets

The Bank has, in accordance with RBI guidelines on Basel III capital regulations, transferred public ratings on to comparable assets in the banking books in the following manner :

Issue Specific Ratings

- All long term and short term ratings assigned by the credit rating agencies specifically to the Bank's long term and short term exposures respectively are considered by the Bank as issue specific ratings.
- For assets in the Bank's portfolio that have contractual maturity less than or equal to one year, short term ratings accorded by the chosen credit rating agencies are considered relevant. For other assets, which have a contractual maturity of more than one year, long term ratings accorded by the chosen credit rating agencies are considered relevant.
- Long term ratings issued by the chosen domestic credit rating agencies have been mapped to the appropriate risk weights applicable as per the standardised approach under Basel III capital regulations. The rating to risk weight mapping furnished below was adopted for domestic corporate exposures, as per RBI guidelines :

Long term rating	AAA	AA	A	BBB	BB & Below	Unrated
Risk weight	20%	30%	50%	100%	150%	100%

- In respect of the issue specific short term ratings the following risk weight mapping has been adopted by the Bank, as provided in the RBI guidelines :

Short term rating equivalent	A1+	A1	A2	A3	A4 & D	Unrated
Risk Weight	20%	30%	50%	100%	150%	100%

- Where multiple issue specific ratings are assigned to the Bank's exposure by the various credit rating agencies, the risk weight is determined as follows :
  (i) If there is only one rating by a chosen credit rating agency for a particular claim, then that rating is used to determine the risk weight of the claim.
  (ii) If there are two ratings accorded by chosen credit rating agencies, which map into different risk weights, the higher risk weight is applied.
  (iii) If there are three or more ratings accorded by chosen credit rating agencies with different risk weights, the ratings corresponding to the two lowest risk weights are referred to and the higher of those two risk weights is applied, i.e., the second lowest risk weight.

Inferred Ratings

- The specific rating assigned by a credit rating agency to a debt or issuance of a borrower or a counterparty (to which the Bank may or may not have an exposure), which the Bank applies to an un-assessed claim of the Bank on such borrower or counterparty is considered by the Bank as inferred ratings.
- In terms of guidelines on Basel III capital regulations, the Bank uses a long term rating as an inferred rating for an un-assessed long term claim on the borrower, where the following conditions are met :
  (i) The Bank's claim ranks pari passu or senior to the specific rated debt in all respects.
  (ii) The maturity of the Bank's claim is not later than the maturity of the rated claim.
- The un-assessed long term claim is assigned the risk weight corresponding to an inferred long term rating as given in the table under Issue Specific Ratings.
- For an un-assessed short term claim, the Bank uses a long term or short term rating as an inferred rating, where the Bank's claim ranks pari passu to the specified rated debt.
- Where a long term rating is used as an inferred rating for a short term un-assessed claim, the risk weight corresponding to an inferred long term rating as given in the table under Issue Specific Rating is considered by the Bank.

- Where a short term rating is used as an inferred rating for a short term un-assessed claim, the risk weight corresponding to an inferred short term rating as given in the table under Issue Specific Rating is considered, however with notch up of the risk weight. Notwithstanding the restriction on using an issue specific short term rating for other short term exposures, an unrated short term claim on a counterparty is given a risk weight of at least one level higher than the risk weight applicable to the rated short term claim on that counterparty. If a short term rated facility to a counterparty attracts a 20% or a 50% risk weight, the unrated short term claims to the same counterparty will get a risk weight not lower than 30% or 100% respectively.
- If long term ratings corresponding to different risk weights are applicable for a long term exposure, the highest of the risk weight is considered by the Bank. Similarly, if short term ratings corresponding to different risk weights are applicable for a short term exposure, the highest of the risk weight is considered. However, where both long term and short term corresponding to different risk weights are applicable to a short term exposure, the highest of the risk weight is considered by the Bank for determination of capital charge.
- If a counterparty has a long term exposure with an external long term rating that warrants a risk weight of 150%, all unrated claims on the same counterparty, whether short term or long term, receives a 150% risk weight, unless recognised credit risk mitigation techniques have been used for such claims. Similarly, if the counterparty has a short term exposure with an external short term rating that warrants a risk weight of 150%, all unrated claims on the same counterparty, whether long term or short term, receive a 150% risk weight.

Issuer Ratings

- Ratings assigned by the credit rating agencies to an entity conveying an opinion on the general creditworthiness of the rated entity are considered as issuer ratings.
- Where multiple issuer ratings are assigned to an entity by various credit rating agencies, the risk weight for the Bank's claims are as follows :
  - (i) If there is only one rating by a chosen credit rating agency for a particular claim, then that rating is used to determine the risk weight of the claim.
  - (ii) If there are two ratings accorded by chosen credit rating agencies, which map into different risk weights, the higher risk weight is applied.
  - (iii) If there are three or more ratings accorded by chosen credit rating agencies with different risk weights, the ratings corresponding to the two lowest risk weights are referred to and the higher of those two risk weights is applied, i.e., the second lowest risk weight.
- The risk weight assigned to claims on counterparty based on issuer ratings are as those mentioned under Issue Specific Ratings.

5. Credit Risk Mitigation : Disclosures for Standardised Approach

Policies and process

The Bank's Credit Policies & Procedures Manual and Product Programs include the risk mitigation and collateral management policy of the Bank. The policy covers aspects on the nature of risk mitigants / collaterals acceptable to the Bank, the documentation and custodial arrangement of the collateral, the valuation approach and periodicity etc.

For purposes of computation of capital requirement for Credit Risk, the Bank recognizes only those collaterals that are considered as eligible for risk mitigation in the RBI guidelines, which are as follows :

- Cash deposit with the Bank
- Gold, including bullion and jewelry
- Securities issued by Central and State Governments
- Kisan Vikas Patra and National Savings Certificates (Kisan Vikas Patra is a safe and long term investment option backed by the Government of India and provides interest income similar to bonds; National Savings Certificates are certificates issued by the Department of Post, Government of India - it is a long term safe savings option for the investor and combines growth in money with reductions in tax liability as per the provisions of the Indian Income Tax Act, 1961)
- Life insurance policies with a declared surrender value of an insurance company which is regulated by the insurance sector regulator
- Debt securities rated at least BBB(-)/PR3/P3/F3/A3
- Units of Mutual Funds, where the investment is in instruments mentioned above

The Bank uses the comprehensive approach in capital assessment. In the comprehensive approach, when taking collateral, the Bank calculates the adjusted exposure to a counterparty for capital adequacy purposes by netting off the effects of that collateral. The Bank adjusts the value of any collateral by a haircut to take into account possible future fluctuations in the value of the security occasioned by market movements.

For purposes of capital calculation, the Bank recognises the credit protection given by the following entities, considered eligible as per RBI guidelines :

- Sovereigns, sovereign entities (including Bank for International Settlements ('BIS'), the International Monetary Fund ('IMF'), European Central Bank and European Community as well as Multi-lateral Development Banks like World Bank Group, IBRD, IFC, Asian Development Bank, African Development Bank, European Bank for Reconstruction & Development, Inter-American Development Bank, European Investment Bank, European Investment Fund, Nordic Investment Bank, Caribbean Development Bank, Islamic Development Bank & Council of Europe Development Bank, Export Credit Guarantee Corporation and Credit Guarantee Fund Trust for Small Industries ('CGTSI'), Credit Guarantee Fund Trust for Low Income Housing ('CRGFTLIH')), banks and primary dealers with a lower risk weight than the counterparty.
- Other entities that are externally rated. This would include credit protection provided by parent, subsidiary and affiliate companies when they have a lower risk weight than the obligor.

The credit risk mitigation taken is largely in the form of cash deposit with the Bank and thus the risk (credit and market) concentration of the mitigants is low.

Exposure covered by financial collateral post haircuts

Total exposure that is covered by eligible financial collateral after the application of haircuts is given below :

(Amounts in ₹ million)

Particulars	March 31, 2014	March 31, 2013
Total exposure covered by eligible financial collateral	371,832.3	146,855.3

Exposure covered by guarantees / credit derivatives

The total exposure for each separately disclosed credit risk portfolio that is covered by guarantees / credit derivatives is given below :

(Amounts in ₹ million)

Particulars	March 31, 2014	March 31, 2013
Total exposure covered by guarantees	10,027.8	18,742.4

6. Securitisation Exposures

Objectives, Policies, Monitoring

The Bank undertakes securitization / loan assignment transactions with the objective of maximizing return on capital employed, managing liquidity, meeting priority sector lending requirements and maximizing yield on asset opportunities.

The RBI issued 'Revised Securitisation Guidelines' on May 7, 2012 (hereinafter, the 'revised securitisation guidelines') covering both Securitisation and Loan Assignment transactions separately. The said guidelines define minimum holding period, minimum retention requirements, due diligence, credit monitoring, stress testing requirements etc. For loan assignment transactions, credit enhancement has been disallowed under the revised guidelines.

The Bank undertakes both 'purchase' and 'sale', transactions through both securitization and loan assignment routes and has Board approved policies for both.

The Bank participates in Securitisation and Loan Assignment transactions in the following roles :

- **Originator / Seller**

  The Bank originates assets in its book and subsequently down-sells them through the securitisation or assignment route.
- **Servicing and Collection agent**

  For assets sold, the Bank undertakes the activity of collections and other servicing activities including preparation of monthly payout reports.
- **Investor**

  The Bank invests in Pass Through Certificates ('PTCs') backed by financial assets originated by third parties for the purposes of holding / trading / maximizing yield opportunities and meeting priority sector lending requirements.
- **Assignee**

  The Bank purchases loans through the direct assignment route for purposes of book building and yield optimisation.

- **Liquidity facility provider**

  In case of sale transactions undertaken through the securitisation route, the Bank may also provide liquidity facility. This is a type of credit support used to meet temporary collection mismatches on account of timing differences between the receipt of cash flows from the underlying performing assets and the fulfillment of obligations to the beneficiaries. The Bank may also undertake to be a third party liquidity facility provider for other securitisation transactions.

- **Credit enhancement provider**

  Under the revised securitisation guidelines, the Bank may provide credit enhancement on Securitization 'sale' transactions undertaken by the Bank / a third party for meeting shortfalls arising on account of delinquencies and prepayment losses in the underlying pool sold. The Bank may also undertake to be a credit enhancement provider for securitization transactions originated by third parties.

- **Underwriter**

  The Bank may underwrite in whole or part of an issuance of securitised debt instruments, with the intent of selling them at a later stage subject to stipulations under the extant RBI guidelines.

  The major risks inherent in Securitisation / Loan Assignment transactions are given below :

- **Credit Risk**

  In case of Securitisation transactions, where credit enhancement is provided by the originator or any third party as permitted under the revised guidelines, the investor bears the loss in case the shortfalls in collections exceed the credit enhancement provided. Where credit enhancement is provided in the form of a corporate guarantee, the investor bears the loss that could arise from default by the guarantor which is also reflected in a downgrade in the rating of the corporate guarantor. In case of Loan Assignment transactions, the assignee bears the loss arising from defaults / delinquencies by the underlying obligors.

- **Market Risk :**

  ✓ **Liquidity Risk**

  This is the risk arising on account of absence of a secondary market, which provides exit options to the investor / participant. This risk would be applicable only in case of securitisation transactions.

  ✓ **Interest Rate Risk**

  This is the mark-to-market risk arising on account of interest rate fluctuations.

- **Prepayment Risk**

  Prepayments in the securitised / assigned pool result in early amortisation and loss of future interest (re-investment risk) to the investor on the amounts.

- **Co-mingling Risk**

  This is the risk arising from co-mingling of funds belong to the investor(s) with those of the originator and / or servicer. This risk occurs when there is a time lag between collection of amounts due from the obligors and payouts made to the investors / assignee.

- **Servicer Risk**

  Servicer risk is the risk arising on account of the inability of a collection and processing agent to collect monies from the underlying obligors and operational difficulties in processing the payments. In long tenor pools, the investor is exposed to the risk of servicer defaulting or discontinuing its operations in totality.

- **Regulatory and Legal Risk**

  These are risks arising on account of non-compliance of transaction structures with the extant regulatory guidelines which may result in higher risk weight and hence higher capital charge being applied on the transaction or the Bank not being able to classify the transactions as priority sector lending. These risks also arise when transactions are not compliant with applicable laws which may result in the transaction being rendered invalid. Conflict between the provisions of the transaction documents and those of the underlying financial facility agreement or non-enforceability of security / claims due to imperfection in execution of the underlying facility agreements with the borrowers could also lead to an increase in legal risk. Risk could also arise due to issues on interpretation of tax laws leading to changes in scheduled transaction cash flows.

The overall framework for both securitisation and loan assignment transactions is specified in the respective Board approved policies. The said policies define the covenants for evaluation and the key requirements that need to be adhered to for all such transactions such as the Minimum Holding Period ('MHP') and Minimum Retention Requirement ('MRR') stipulations, credit enhancement (for securitisation transactions), structure, rating and accounting treatment. Additionally, for purchase transactions, the Bank examines parameters such as the profile and track record of the originator, the type and nature of underlying assets, pool characteristics, findings of due diligence audits and rating (if applicable), credit enhancement provided and listing status (in case of securitisation).

The Bank also has a process for monitoring the performance of all pools purchased under securitisation or the loan assignment route (both prior to as well as post the issuance of the revised securitisation guidelines) basis information received from the servicing agent / trustee. The performance of pools is measured by analysing parameters such as collection ratios, delinquencies, credit enhancement utilisation and level of available credit enhancement (where applicable). The Bank undertakes regular escalation to the Management on performance of pools which show concerning trends. In case of sold pools, a memorandum on transactions undertaken is put up to the Audit & Compliance Committee of the Board on a quarterly basis.

Accounting Policy for securitisation transactions

The Bank securitises out its receivables, subject to the MHP criteria and the MRR of RBI, to Special Purpose Vehicles ('SPVs') in securitisation transactions. Such securitised-out receivables are de-recognised in the balance sheet when they are sold (true sale criteria being fully met with) and consideration is received by the Bank. Sales / transfers that do not meet these criteria for surrender of control are accounted for as secured borrowings. In respect of receivable pools securitised-out, the Bank provides liquidity and credit enhancements, as specified by the rating agencies, in the form of cash collaterals / guarantees and / or by subordination of cash flows, not exceeding 20% of the total securitised instruments, in line with RBI guidelines. The Bank also acts as a servicing agent for receivable pools securitised-out.

The Bank also enters into transactions for transfer of standard assets through the direct assignment of cash flows, which are similar to asset-backed securitisation transactions through the SPV route, except that such portfolios of receivables are assigned directly to the purchaser and are not represented by Pass through Certificates ('PTCs'), subject to the RBI prescribed MHP criteria and the MRR. The RBI issued revised securitisation guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines.

Pursuant to the revised securitisation guidelines, the Bank amortises any profit received in cash for every individual securitisation or direct assignment transaction at the end of every financial year. This amortisation is calculated as the maximum of either of the three parameters stated below :

- the losses incurred on the portfolio, including marked-to-market losses in case of securitisation transactions, specific provisions, if any, and direct write-offs made on the MRR and any other exposures to the securitisation transaction (other than credit enhancing interest only strip); or
- the amount of unamortised cash profit at the beginning of the year multiplied by the amount of principal amortised during the year as a proportion to the amount of unamortised principal at the beginning of the year; or
- the amount of unamortised cash profit at the beginning of the year divided by residual maturity of the securitisation or the direct assignment transaction.

In relation to securitisation transactions undertaken prior to the said revised securitisation 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 invests in PTCs issued by other SPVs. These are accounted for at the deal value and are classified as investments. The Bank also buys loans through the direct assignment route which are classified as advances. These are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised based on Effective Interest Rate ('EIR') method.

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External credit rating agencies

In the banking book, following were the external credit rating agencies involved with the Bank's Securitisation and Loan Assignment transactions :

- Credit Analysis and Research Limited ('CARE')
- Credit Rating Information Services of India Limited ('CRISIL')
- India Ratings and Research Private Limited ('India Ratings')
- ICRA Limited ('ICRA')
- Brickwork Ratings India Private Limited ('Brickwork')

The ratings declared / issued by the above agencies were used to cover the following securitisation and loan assignment exposures :

- Securitised Debt Instruments / PTCs / Purchased assets
- Second loss credit enhancement facilities
- Liquidity facilities

Securitisation exposures in banking book

- Details of securitisation exposures in banking book **(Amounts in ₹ million)**

Particulars	March 31, 2014	March 31, 2013
Amount securitised out outstanding	2,452.7	3,787.2
Amount securitised during the year*	-	-
Losses recognised during the current period for loans against property and loans against rent receivables exposures securitised earlier	-	0.3
Amount of assets intended to be securitised within a year**	-	-
Of which amount of assets originated within a year before securitisation	-	-

** The Bank has not securitised out any component of its standard asset portfolio.*

*** The Bank has made no projection of the assets it intends to securitise-out during the fiscal year beginning April 1, 2014. Securitisation transactions are undertaken on a need basis to meet the objectives articulated under 'Objectives, Policy, Monitoring'.*

- The total amount of exposures securitised and unrecognised gain or losses on sale **(Amounts in ₹ million)**

Exposure Type	March 31, 2014		March 31, 2013	
	Outstanding amount of exposures securitised	Outstanding unrecognised gain or loss on sale	Outstanding amount of exposures securitised	Outstanding unrecognised gain or loss on sale
Auto loans	4.2	-	19.4	-
Commercial vehicle loans	-	-	1.4	-
Loans against property and rent receivables	476.1	-	1,136.5	-
Housing loans	1,972.4	-	2,629.9	-
Total	**2,452.7**	**-**	**3,787.2**	**-**

- Aggregate amount of on-balance sheet securitisation exposures retained or purchased **(Amounts in ₹ million)**

Exposure Type	March 31, 2014	March 31, 2013
Commercial vehicle loans	224.5	2,469.4
Housing loans	190,865.5	165,162.4
Personal loans	2.6	108.9
Two wheeler loans	-	16.3
Mixed assets*	749.0	3,055.4
Tractor loans	984.8	3,071.1
Total	**192,826.4**	**173,883.5**

** includes commercial vehicle / equipment loans, two wheeler loans and tractor loans*

- Aggregate amount of off-balance sheet securitisation exposures **(Amounts in ₹ million)**

Exposure type	March 31, 2014*	March 31, 2013
Housing loans	1,709.5	1,731.2
Mixed assets**	1,854.3	1,884.6
Total	**3,563.8**	**3,615.8**

**risk weighted for capital adequacy purposes as per Basel III capital regulations.*

***includes auto loans, commercial vehicle loans, two wheeler loans, loans against property and loans against rent receivables.*

- Aggregate amount of securitisation exposures retained or purchased and the associated capital charges, broken down between exposures and further broken down into different risk weight bands for each regulatory capital approach :

(Amounts in ₹ million)

Risk weight bands	Exposure type	March 31, 2014		March 31, 2013	
		Exposure	Capital charge	Exposure	Capital charge*
Less than 100%	Housing loans	188,583.7	8,490.6	117,177.4	5,343.4
	Commercial vehicle loans	221.5	15.0	2,452.5	165.5
	Mixed assets**	749.0	46.5	3,026.6	204.3
	Tractor loans	984.8	66.5	3,071.1	207.3
At 100%	Housing loans	2,281.8	205.4	47,651.9	4,288.7
More than 100%	Housing loans	-	-	333.1	37.5
	Commercial vehicle loans	3.0	0.3	16.9	1.9
	Mixed assets**	-	-	28.8	3.2
	Personal loans	2.6	0.3	108.9	12.3
	Two wheeler loans	-	-	16.3	1.8
	Total	**192,826.4**	**8,824.6**	**173,883.5**	**10,265.9**

**computed as per Basel II - New Capital Adequacy Framework*

***includes commercial vehicle / equipment loans, two wheeler loans and tractor loans*

- Securitisation exposures deducted from capital as on March 31, 2014: Not applicable.
- Exposures that have been deducted entirely from Tier I capital, credit enhancing Interest Only Strips ('I/Os') deducted from total capital and other exposures deducted from total capital as on March 31, 2013

(Amounts in ₹ million)

Exposure type	Exposure deducted entirely from Tier I capital	Credit enhancing I/Os deducted from total capital	Other exposure deducted from total capital
Mixed assets*	-	-	1,803.6
Housing loans	-	-	1,731.2
Total	**-**	**-**	**3,534.8**

** includes auto loans, commercial vehicle loans, two wheeler loans, loans against property and loans against rent receivables.*

Securitisation exposures in trading book

- Aggregate amount of exposure securitised-out for which some exposure has been retained and which is subject to market risk approach as of March 31, 2014 was ₹ 3.5 million (previous year : ₹ 5.7 million). The exposure type was commercial vehicle loans.

- Aggregate amount of on-balance sheet securitisation exposures retained or purchased

(Amounts in ₹ million)

Exposure type	March 31, 2014	March 31, 2013
Hire purchase receivables	6.7	27.8
Housing loans	1,743.2	2,353.3
Mixed assets*	7,217.0	3,060.6
Commercial vehicle loans	1,905.5	781.3
Tractor loans	3,510.8	763.9
Micro finance	1,286.9	149.1
Total	**15,670.1**	**7,136.0**

** includes auto loans, commercial vehicle loans, two wheeler loans, loans against property and loans against rent receivables.*

- Off-balance sheet securitisation exposures as of March 31, 2014 was ₹ 172.1million (previous year : ₹ 22.6 million), which is risk weighted for capital adequacy purposes. The exposure type was commercial vehicle loans.
- Aggregate amount of securitisation exposures retained or purchased, subject to the securitisation framework for specific risk broken down into different risk weight bands :
  - ✓ Securitisation exposures broken down into different risk weight bands at book value

(Amounts in ₹ million)

Risk weight band	March 31, 2014	March 31, 2013
Less than 100%	15,400.6	6,986.9
At 100%	266.0	149.1
More than 100%	3.5	-
Total	**15,670.1**	**7,136.0**

  - ✓ Aggregate amount of capital requirements for securitisation exposures (capital charge)

(Amounts in ₹ million)

Risk weight band	March 31, 2014	March 31, 2013
Less than 100%	517.9	304.6
At 100%	24.0	14.3
More than 100%	0.5	-
Total	**542.4**	**318.9**

- Securitisation exposures deducted from capital as on March 31, 2014 : Not applicable (previous year : ₹ 22.6 million with exposure type commercial vehicle loans).

7. Market Risk in Trading Book

Market Risk Management Strategies and Processes

The Market Risk management process at the Bank consists of identification and measurement of risks, control measures and reporting systems. It ensures that the risk taking of the Bank's treasury desks and the investment banking department is within the risk appetite encapsulated within the treasury limits package, equity limits package and specific limits approved by the Board from time to time. The Board approved risk appetite is handed down as limits to the various treasury desks and the investment banking department. The prescribed limits are monitored by the treasury mid office and reported as per the guidelines laid down from time to time. The market risk objective, framework and architecture along with the functions of market risk are detailed in the Board approved Market Risk Policy.

Market Risk Architecture

The market risk process includes the following key participants :

- The Risk Policy & Monitoring Committee ('RPMC') of the Board reviews and recommends for approval to the Board, the Bank's market risk policies, procedures and limit packages. The Committee supports the Board by supervising the implementation of the risk strategy. The Committee guides the development of policies, procedures and systems for managing risk. It ensures that these are adequate and appropriate to changing business conditions, the structure and needs of the Bank and the risk appetite of the Bank. In addition, it monitors the compliance of the Board approved risk appetite.

- The Market Risk Function covers the assessment of the market risk for treasury portfolio, evaluate / validate methods for monitoring market risk and prescribes control processes. The Market Risk Function also reviews the valuation models and the mnemonics definition proposed by the Treasury Analytics department. Market risk is managed under the guidance of the RPMC of the Board.
- The Treasury Mid-Office is responsible for the day to day monitoring and reporting of market risk controls, valuations etc. Mid-Office reports any limit breaches to the Senior Management. Mid Office also monitors the counterparty risk exposures and maintains the market data as per the Operations Manual of Market Data Cell. The Mid-Office functions for all locations (including overseas branches), is centrally located.
- The Investment Committee oversees and reviews any direct investments in Shares, Convertible Bonds, Convertible Debentures and any other Equity linked instruments.
- Treasury Desks among others include Foreign Exchange, Money Market, Interest Rate Trading, Trading Derivatives, Equities and Precious Metal desks which carry out the basic day to day management of the various portfolios and the underlying market risk within the stipulated market risk limits and other applicable limits, policies and procedures.
- Treasury Analytics unit is responsible for model validation and maintenance of the policy laid down for model valuation and validation including prescription for market data sources and mnemonics definitions / conventions, which are further reviewed by Market Risk.

Market Risk Limits Reporting

Types of limits could include position limits, gap limits, tenor and duration limits, PV01 limits, basic risk limits, stop loss trigger level, value-at-risk limits and option Greek limits. These limits may or may not apply to all portfolios and are appropriately selected as market risk controls in the various limits packages. The market risk limits are measured and monitored by the Mid-Office, and subsequently reported to the concerned departments / senior management. Any major variations in the utilisations of the limit are analysed and reviewed with Market Risk prior to circulation of reports. Any breach in the limits is acted upon by Treasury Front Office as per the Board approved processes.

The Bank enters into derivative deals with counterparties based on their financial strength and understanding of derivative products and its risks. In this regard, the Bank has a Customer Suitability and Appropriateness Policy in place. The Bank sets up appropriate limits having regard to the ability of the counterparty to honor its obligations in the event of crystallization 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 also books derivative deals to hedge the interest rate / currency risks in borrowings or investments within the ambit of Bank's hedging processes and policies.

Market risk capital requirement **(Amounts in ₹ million)**

Standardised duration approach	March 31, 2014	March 31, 2013*
Interest rate risk	8,377.7	7,552.5
Equity risk	765.5	5,910.4
Foreign exchange risk (including gold)	1,260.0	270.0
Total	**10,403.2**	**13,732.9**

**computed as per Basel II - New Capital Adequacy Framework*

8. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The way operational risk is managed has the potential to positively or negatively impact a bank's customers, its financial performance and reputation. The Bank has put in place Board approved governance and organizational structure with clearly defined roles and responsibilities to mitigate operational risk arising out of the Bank's business and operations.

Organisational Structure for Managing Operational Risk

The RPMC of the Board reviews and recommends to the Board of Directors the overall operational risk management framework for the Bank. A committee comprised of senior management personnel viz., Operational Risk Management Committee ('ORMC') oversees the implementation of operational risk management framework approved by the Board. The ORMC is headed by the Deputy Managing Director, the Chief Risk Officer, Head - Audit, Head - Operations and senior

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representatives from relevant business functions. An independent operational risk management department is responsible for the implementation of the framework across the Bank. Board approved operational risk management policy stipulates the roles and responsibilities of employees, business units, operations and support function in managing operational risk.

Risk Measurement and Monitoring

While the day-to-day operational risk management lies with business lines, operations and support functions, the ORMD is responsible for designing tools and techniques for identification and monitoring of operational risk across the Bank consistent with the framework approved by the Board. The ORMD also ensures operational risk exposures are captured and reported to the relevant levels of the management for initiating suitable risk mitigations in order to contain operational risk exposures within acceptable levels. The Internal audit department provides an independent assurance on the effectiveness of governance, risk management and internal controls to achieve risk management and control objectives.

The Bank applies a number of risk management techniques to effectively manage operational risks :

- A systematic risk assessment process is followed before rolling out new products and processes. New products are rolled out after putting in place the required mitigants based on risk assessment and on ensuring required skill sets and technological resources are in place.
- A bottomup risk assessment process, Risk Control Self-Assessment identifies high risk areas so that the Bank can initiate timely remedial measures. This assessment is conducted at quarterly rests to update senior management, of the risk levels across the Bank.
- Key Risk Indicators are employed to alert the Bank on impending problems in a timely manner. These allow monitoring of the control environment as well as operational risk exposures and trigger risk mitigation actions.
- Material operational risk losses are subjected to detailed risk analysis to identify areas of risk exposures and gaps in controls basis which appropriate risk mitigating actions are initiated.
- Bank conducts annual scenario analysis to derive information on hypothetical severe loss situations and use the information for risk management actions, apart from analyzing the plausible financial impact.
- Periodic reporting on risk assessment and monitoring is made to the line as well as to senior management to ensure timely actions are initiated at all levels.

Capital Requirement

The Bank has devised an operational risk measurement system compliant with Advanced Measurement Approach for estimating operational risk capital estimate for the Bank. The Bank is in the process of fine tuning the approach and will subsequently submit the same for regulatory approval. Currently, the Bank follows the Basic Indicator Approach for estimating operational risk capital.

9. Asset Liability Management (‘ALM’) Risk Management

ALM risk management process consists of management of liquidity risk and Interest Rate Risk in the Banking Book (‘IRRBB’). Liquidity risk is the risk that the Bank may not be able to fund increases in assets or meet obligations as they fall due without incurring unacceptable losses. IRRBB refers to the potential adverse financial impact on the Bank’s banking book from changes in interest rates. The banking book is comprised of assets and liabilities that are contracted on account of relationship or for steady income and statutory obligations and are generally held till maturity. The Bank carries various assets, liabilities and off-balance sheet items across markets, maturities and benchmarks exposing it to risks from changing interest rates. The Bank’s objective is to maintain liquidity risk IRRBB within tolerable limits.

Structure and Organization

The ALM risk management process of the Bank operates in the following hierarchical manner :

- **Board of Directors**

  The Board has the overall responsibility for management of liquidity and interest rate risks. The Board decides the strategy, policies and procedures of the Bank to manage liquidity and interest rate risk including setting of risk tolerance / limits and reviewing of stress test results.

- **Risk Policy & Monitoring Committee (‘RPMC’) of the Board**

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

- **Asset Liability Committee ('ALCO')**

  ALCO is a decision-making unit responsible for ensuring adherence to the risk tolerance / limits set by the Board as well as implementing the liquidity and interest rate risk management strategy of the Bank in line with the Bank's risk management objectives and risk tolerance. The ALCO is also responsible for balance sheet planning from risk-return perspective including strategic management of liquidity and interest rate risks. The role of the ALCO includes the following :

  i. Product pricing for deposits and advances
  ii. Deciding the desired maturity profile and mix of incremental assets and liabilities
  iii. Articulating interest rate view of the Bank and deciding on the future business strategy
  iv. Reviewing and articulating funding policy
  v. Ensuring the adherence to the limits set by the Board of Directors
  vi. Determining the structure, responsibilities and controls for managing liquidity and interest rate risk
  vii. Ensuring operational independence of risk management function
  viii. Reviewing stress test results
  ix. Deciding on the transfer pricing policy of the Bank

- **ALM Operational Groups**

  Internal ALM operational groups support the ALM organisation.

Risk Measurement Systems and reporting :

Liquidity Risk is measured using flow approach and stock approach. Flow approach involves comprehensive tracking of cash flow mismatches. Stock approach involves measurement of critical ratios in respect of liquidity risk. Analysis of liquidity risk also involves examining how funding requirements are likely to be affected under crisis scenarios. The Bank has a Board approved liquidity stress framework guided by regulatory instructions. The Bank has an extensive intraday liquidity risk management framework for monitoring intraday positions during the day.

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

Quantification of IRRBB

The increase / decline in earnings and economic value for an upward / downward rate shock of 200 basis points ('bps'), broken down by currency, are as follows :

- **Earnings Perspective (impact on net interest income)**

(Amounts in ₹ million)

Currency	March 31, 2014		March 31, 2013	
	If interest rate were to go down by 200 bps	If interest rate were to go up by 200 bps	If interest rate were to go down by 200 bps	If interest rate were to go up by 200 bps
INR	(17,513.5)	17,513.5	(12,753.8)	12,753.8
USD	(1,962.7)	1,962.7	(1,866.0)	1,866.0
Others	89.3	(89.3)	(2.5)	2.5
Total	**(19,386.9)**	**19,386.9**	**(14,622.3)**	**14,622.3**

- **Economic Value Perspective (impact on market value of equity)**

(Amounts in ₹ million)

Currency	March 31, 2014		March 31, 2013	
	If interest rate were to go down by 200 bps	If interest rate were to go up by 200 bps	If interest rate were to go down by 200 bps	If interest rate were to go up by 200 bps
INR	(9,638.4)	9,638.4	(6,384.6)	6,384.6
USD	(1,645.4)	1,645.4	(2,809.9)	2,809.9
Others	(1,706.2)	1,706.2	(836.8)	836.8
Total	**(12,990.0)**	**12,990.0**	**(10,031.3)**	**10,031.3**

10. General Disclosures for Exposures Related to Counterparty Credit Risk

Counterparty Credit Risk ('CCR') limits for the banking counterparties are assessed based on an internal model that considers the parameters viz. credit rating and net worth of counterparties, net worth of the Bank and business requirements. In all other cases, CCR limit is approved based on credit assessment process followed by the Bank as per the Credit Policies and Procedures Manual. CCR limits are set on the amount and tenor while fixing the limits to respective counterparties with distinct limits for each type of exposure. Capital for CCR exposure is assessed based on Standardised Approach.

The Bank has entered into Credit Support Annex ('CSA') agreements with some of the major international counterparty banks. CSA defines the terms or rules under which collateral is posted or transferred between derivative counterparties to mitigate the credit risk arising from "in the money" derivative positions on OTC derivative contracts.

The Bank does not recognize bilateral netting. The derivative exposure is calculated using Current Exposure Method ('CEM'). The balance outstanding as on March 31, 2014 is given below.

(Amounts in ₹ million)

Particulars	March 31, 2014		March 31, 2013	
	Notional Amounts	Current Exposure*	Notional Amounts	Current Exposure
Foreign exchange contracts	4,753,861.2	207,658.6	4,467,860.7	103,202.2
Interest rate derivative contracts	1,772,658.7	23,687.3	2,080,500.3	21,101.0
Currency swaps	71,041.3	12,732.3	59,328.6	9,446.9
Currency options	165,920.4	2,016.0	152,384.2	1,820.5
Total	**6,763,481.6**	**246,094.2**	**6,760,073.8**	**135,570.6**

**In accordance with RBI guidelines, exposures to central counterparties arising from OTC derivative transactions are subject to counterparty credit risk treatment effective January 1, 2014. Accordingly, previous year numbers are not comparable.*

11. Composition of Capital

Disclosures pertaining to composition of capital, including the capital disclosure templates and main features of equity and debt capital instruments are given below. The detailed terms and conditions of equity and debt capital instruments have been disclosed separately on the Bank's website under the 'Regulatory Disclosures Section'. The link to this section is http://www.hdfcbank.com/aboutus/basel_disclosures/default.htm

₹ million

Composition of Capital as at March 31, 2014			Amounts Subject to Pre-Basel III Treatment	Ref No.
	Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	147,850.0		a = a1 + a2
2	Retained earnings	151,764.7		b
3	Accumulated other comprehensive income (and other reserves)	141,532.8		c = c1 + c2 + c3 + c4 + c5
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-		
	Public sector capital injections grandfathered until 1 January 2018	NA		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	-	d
6	**Common Equity Tier 1 capital before regulatory adjustments**	**441,147.5**		
	Common Equity Tier 1 capital : regulatory adjustments			
7	Prudential valuation adjustments	180.7	271.0	
8	Goodwill (net of related tax liability)	622.2	933.3	e = e1 + e2
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	-		
10	Deferred tax assets	7,674.2	11,511.4	f
11	Cash-flow hedge reserve	-		
12	Shortfall of provisions to expected losses	-		
13	Securitisation gain on sale	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-		
15	Defined-benefit pension fund net assets	-	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-		
17	Reciprocal cross-holdings in common equity	14.1	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-		
20	Mortgage servicing rights (amount above 10% threshold)	-		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		
22	Amount exceeding the 15% threshold	-		
23	of which : significant investments in the common stock of financial entities	-		
24	of which : mortgage servicing rights	-		
25	of which : deferred tax assets arising from temporary differences	-		
26	National specific regulatory adjustments	-		
26a	Investments in the equity capital of unconsolidated insurance subsidiaries	-		
26b	Investments in the equity capital of unconsolidated non-financial subsidiaries	-		
26c	Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	-		
26d	Unamortised pension funds expenditures	-		

₹ million

	Composition of Capital as at March 31, 2014		Amounts Subject to Pre-Basel III Treatment	Ref No.
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	11,115.7		
28	**Total regulatory adjustments to Common Equity Tier 1**	**19,606.9**		
29	**Common Equity Tier 1 capital (CET1)**	**421,540.6**		
	Additional Tier 1 capital : instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	-		
31	of which : classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-		
32	of which : classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-		
33	Directly issued capital instruments subject to phase out from Additional Tier 1	1,600.0		g
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-		
35	of which : instruments issued by subsidiaries subject to phase out	-		
36	**Additional Tier 1 capital before regulatory adjustments**	**1,600.0**		
	Additional Tier 1 capital : regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-		
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-		
41	National specific regulatory adjustments	-		
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-		
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-		
	Regulatory adjustments applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment			
	of which : capital charge for illiquid positions	271.0		
	of which : goodwill on consolidation	933.3		
	of which : deferred tax assets arising from temporary differences	11,511.4		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		
43	**Total regulatory adjustments to Additional Tier 1 capital**	**12,715.7**		
44	**Additional Tier 1 capital (AT1)**	**(11,115.7)**		
44a	**Additional Tier 1 capital reckoned for capital adequacy**	**-**		
45	**Tier 1 capital (T1 = CET1 + AT1) (row 29 + row 44a)**	**421,540.6**		
	Tier 2 capital : instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-		
47	Directly issued capital instruments subject to phase out from Tier 2	121,891.6		h
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-		

₹ million

Composition of Capital as at March 31, 2014			Amounts Subject to Pre-Basel III Treatment	Ref No.
49	of which : instruments issued by subsidiaries subject to phase out	-		i
50	Provisions	32,349.6		j = j1 + j2 + j3 + j4
51	**Tier 2 capital before regulatory adjustments**	**154,241.2**		
	Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	-		
53	Reciprocal cross-holdings in Tier 2 instruments	18.1		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-		
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-		
56	National specific regulatory adjustments (56a+56b)	-		
56a	of which : investments in the Tier 2 capital of unconsolidated subsidiaries	-		
56b	of which : shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	-		
57	**Total regulatory adjustments to Tier 2 capital**	**18.1**		
58	Tier 2 capital (T2)	154,223.1		
58a	Tier 2 capital reckoned for capital adequacy	154,223.1		
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	**-**		
58c	**Total Tier 2 capital admissible for capital adequacy (row 58a + row 58b)**	**154,223.1**		
59	**Total capital (TC = T1 + T2) (row 45+row 58c)**	**575,763.7**		
	Risk Weighted Assets in Respect of Amounts Subject to Pre-Basel III Treatment			
60	**Total risk weighted assets (row 60a +row 60b +row 60c)**	**3,598,291.1**		
60a	of which : total credit risk weighted assets	3,170,467.9		
60b	of which : total market risk weighted assets	115,590.9		
60c	of which : total operational risk weighted assets	312,232.3		
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	11.72%		
62	Tier 1 (as a percentage of risk weighted assets)	11.72%		
63	Total capital (as a percentage of risk weighted assets)	16.00%		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	5.00%		
65	of which : capital conservation buffer requirement	0.00%		
66	of which : bank specific countercyclical buffer requirement	-		
67	of which : G-SIB buffer requirement	-		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	-		
	National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%		

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Composition of Capital as at March 31, 2014			Amounts Subject to Pre-Basel III Treatment	Ref No.
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%		
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%		
	Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financial entities	544.2		
73	Significant investments in the common stock of financial entities	311.7		
74	Mortgage servicing rights (net of related tax liability)	NA		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	NA		
	Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	32,349.6		j = j1 + j2 + j3 + j4
77	Cap on inclusion of provisions in Tier 2 under standardised approach	39,630.8		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	NA		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	NA		
	Capital instruments subject to phase-out arrangements (only applicable between April 1, 2018 and March 31, 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	NA		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA		
82	Current cap on AT1 instruments subject to phase out arrangements	1,600.0		g
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	400.0		
84	Current cap on T2 instruments subject to phase out arrangements	121,891.6		h
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	23,702.9		

Notes to the Template

Row # of template	Particular	₹ million
10	Deferred tax associated with accumulated losses	-
	Deferred tax assets (excluding those associated with accumulated losses) net of deferred tax liability	19,185.6
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	NA
	of which : Increase in Common Equity Tier 1 capital	NA
	of which : Increase in Additional Tier 1 capital	NA
	of which : Increase in Tier 2 capital	NA
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then :	NA
	(i) Increase in Common Equity Tier 1 capital	NA
	(ii) Increase in risk weighted assets	NA
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	-
	of which : Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	-
50	Eligible provisions included in Tier 2 capital	32,349.6
	Eligible revaluation reserves included in Tier 2 capital	-
	Total of row 50	32,349.6
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	-

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Composition of Capital - Reconciliation Requirements Step 1		Balance sheet as in consolidated financial statements as on 31-March-14	Balance sheet under regulatory scope of consolidation as on 31-March-14
A	**Capital and Liabilities**		
i	Paid-up capital	4,798.1	4,798.1
	Reserves & surplus	436,868.3	436,558.3
	Minority interest	1,517.3	917.0
	Total capital	**443,183.7**	**442,273.4**
ii	**Deposits**	**3,670,803.3**	**3,671,254.5**
	of which : Deposits from banks	27,593.0	27,593.0
	of which : Customer deposits	3,643,210.3	3,643,661.5
	of which : Other deposits	-	-
iii	**Borrowings**	**495,967.2**	**495,967.2**
	of which : From RBI	-	-
	of which : From banks	214,315.4	214,315.4
	of which : From other institutions & agencies	37,520.0	37,520.0
	of which : Others	69,401.3	69,401.3
	of which : Capital instruments	174,730.5	174,730.5
iv	**Other liabilities & provisions**	**426,245.4**	**426,255.5**
	Total Capital and Liabilities	**5,036,199.6**	**5,035,750.6**
B	**Assets**		
i	Cash and balances with RBI	253,572.2	253,572.2
	Balance with banks and money at call and short notice	145,562.1	145,562.1
	Total	**399,134.3**	**399,134.3**
ii	**Investments**	**1,195,710.6**	**1,195,290.3**
	of which : Government securities	946,400.2	946,400.2
	of which : Other approved securities	-	-
	of which : shares	1,488.8	1,377.2
	of which : Debentures & Bonds	36,358.6	36,358.6
	of which : Subsidiaries, Joint Ventures, Associates	544.5	311.8
	of which : Others (including Commercial Papers, Mutual Funds etc.)	210,918.5	210,842.5
iii	**Loans and advances**	**3,154,188.6**	**3,154,188.6**
	of which : to banks	8,646.8	8,646.8
	of which : to customers	3,145,541.8	3,145,541.8
iv	**Fixed assets**	**30,262.8**	**30,262.8**
v	**Other assets**	**255,354.8**	**255,326.1**
	of which :		
	(a) goodwill and intangible assets	-	-
	(b) deferred tax assets	19,185.6	19,185.6
vi	**Goodwill on consolidation**	**1,548.5**	**1,548.5**
vii	**Debit balance in Profit & Loss account**	**-**	**-**
	Total Assets	**5,036,199.6**	**5,035,750.6**

₹ million

	Composition of Capital - Reconciliation Requirements Step 2	Balance sheet as in consolidated financial statements as on 31-March-14	Balance sheet under regulatory scope of consolidation as on 31-March-14	Ref. No.
A	**Capital and Liabilities**			
i	**Paid-up capital**	**4,798.1**	**4,798.1**	a1
	Reserves & surplus	**436,868.3**	**436,558.3**	
	of which :			
	Share premium	143,051.9	143,051.9	a2
	Balance in Profit / Loss A/c	152,074.7	151,764.7	b
	of which :			
	(a) balance in profit / loss account (relating to associates) not considered under regulatory scope of consolidation	310.0	-	
	Statutory Reserves	91,883.5	91,883.5	c1
	General Reserve	34,687.4	34,687.4	c2
	Amalgamation Reserve	10,635.6	10,635.6	c3
	Capital Reserve	4,395.9	4,395.9	c4
	Investment Reserve Account	208.9	208.9	j1
	Foreign Currency Translation Reserve	(69.6)	(69.6)	c5
	Minority interest	**1,517.3**	**917.0**	
	of which considered under capital funds	-	-	d
	Total capital	**443,183.7**	**442,273.4**	
ii	**Deposits**	**3,670,803.3**	**3,671,254.5**	
	of which : Deposits from banks	27,593.0	27,593.0	
	of which : Customer deposits	3,643,210.3	3,643,661.5	
	of which : Other deposits	-	-	
iii	**Borrowings**	**495,967.2**	**495,967.2**	
	of which : From RBI	-	-	
	of which : From banks	214,315.4	214,315.4	
	of which : From other institutions & agencies	37,520.0	37,520.0	
	of which : Others	69,401.3	69,401.3	
	of which : Capital instruments	174,730.5	174,730.5	
	of which :			
	(a) Eligible AT1 capital	-	1,600.0	g
	(b) EligibleT2 capital issued by Bank	-	121,891.6	h
	(c) Eligible T2 capital issued by subsidiaries	-	-	i
iv	**Other liabilities & provisions**	**426,245.4**	**426,255.5**	
	of which :			
	Provisions against standard assets	12,938.7	12,929.8	j2
	Country risk provisions	39.7	39.7	j3
	Floating provisions	19,193.8	19,171.2	j4
	Total Capital and Liabilities	**5,036,199.6**	**5,035,750.6**	
B	**Assets**			
i	Cash and balances with RBI	253,572.2	253,572.2	
	Balance with banks and money at call and short notice	145,562.1	145,562.1	
	Total	**399,134.3**	**399,134.3**	
ii	**Investments**	**1,195,710.6**	**1,195,290.3**	
	of which : Government securities	946,400.2	946,400.2	
	of which : Other approved securities	-	-	
	of which : shares	1,488.8	1,377.2	
	of which : Debentures & Bonds	36,358.6	36,358.6	
	of which : Subsidiaries, Joint Ventures, Associates	544.5	311.8	
	of which goodwill on acquisition of IARC included as part of carrying amount as per AS 23	7.0	7.0	e1
	of which : Others (including Commercial Papers, Mutual Funds etc.)	210,918.5	210,842.5	
iii	**Loans and advances**	**3,154,188.6**	**3,154,188.6**	
	of which : to banks	8,646.8	8,646.8	
	of which : to customers	3,145,541.8	3,145,541.8	
iv	**Fixed assets**	**30,262.8**	**30,262.8**	
v	**Other assets**	**255,354.8**	**255,326.1**	
	of which :			
	(a) goodwill and intangible assets	-	-	
	Out of which :			
	Goodwill	-	-	
	Other intangibles (excluding MSRs)	-	-	
	(b) deferred tax assets	19,185.6	19,185.6	f
vi	**Goodwill on consolidation**	**1,548.5**	**1,548.5**	e2
vii	**Debit balance in Profit & Loss account**	**-**	**-**	
	Total Assets	**50,36,199.6**	**50,35,750.6**	

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Main Features of Regulatory Capital Instruments

Item #	Particulars	Equity Shares	Lower Tier II	Lower Tier II	Series 1 & 2	Series 3	Series 4	Series 5	Series 6	Series 7	Series 8	Series 1/06	Series 2/06	Series 1/06/UT	Series 2/06/UT	Series 3/06/UT
1	Issuer	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank
2	Unique identifier	INE040 A01026	INE040 A08112	INE040 A08120	INE040 A08138	INE040 A08146	INE040 A08146	INE040 A08161	INE040 A08179	INE040 A08179	INE040 A08187	INE040 A08153	INE040 A08203	INE040 A08195	INE040 A08211	INE040 A08237
3	Governing laws of the instrument	Applicable Indian statutes and regulatory requirements														
4	Transitional Basel III rules	Common Equity Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible
6	Eligible at solo / group / group & solo	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group
7	Instrument type	Common Shares	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Upper Tier 2 Capital Instruments	Upper Tier 2 Capital Instruments	Upper Tier 2 Capital Instruments
8	Amount recognised in the regulatory capital (₹ in million as of March 31, 2014)	4,798.1	-	25.1	423.6	117.2	152.4	386.8	149.0	281.3	502.3	565.9	807.1	2,511.6	2,511.6	300.6
9	Par value of instrument (₹ in million)	Not applicable	3,950.0	50.0	2,530.0	700.0	910.0	2,310.0	890.0	1,680.0	3,000.0	1,690.0	2,410.0	3,000.0	3,000.0	359.0
10	Accounting classification	Shareholders' equity	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability
11	Original date of issuance	Various*	04-Feb-04	04-Feb-04	27-Oct-05	28-Nov-05	05-Dec-05	20-Jan-06	24-Feb-06	24-Feb-06	28-Mar-06	19-May-06	05-Sep-06	05-Jun-06	05-Sep-06	20-Oct-06
12	Perpetual or dated	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	No Maturity	04-May-14	04-May-17	27-Apr-15	28-Jun-15	28-Jun-15	20-Apr-15	24-Oct-15	24-Oct-15	04-Feb-16	19-May-16	05-Sep-16	05-Jun-21	05-Sep-21	20-Oct-21
14	Issuer call subject to prior supervisory approval	No	No	No	No	No	No	No	No	No	No	No	No	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Date of call : 05-Jun-16 Tax event : None Regulatory event : None Redemption price : At par	Date of call : 05-Sep-16 Tax event : None Regulatory event : None Redemption price : At par	Date of call : 20-Oct-16 Tax event : None Regulatory event : None Redemption price : At par
16	Subsequent call dates, if applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Coupons / dividends	Dividend	Coupon	Coupon	Coupon	Coupon	Coupon	Coupon	Coupon	Coupon	Coupon	Coupon	Coupon	Coupon	Coupon	Coupon
17	Fixed or floating dividend / coupon	Not applicable	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Not applicable	5.90%	6.00%	7.50%	7.50%	7.50%	7.75%	8.25%	8.25%	8.60%	8.45%	9.10%	Before call : 8.8% If call not exercised : 9.55%	Before call : 9.2% If call not exercised : 9.95%	Before call : 8.95% If call not exercised : 9.7%
19	Existence of a dividend stopper	Not applicable	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

*Note : Dates of allotment of equity shares are available in section titled 'History of share issues' on the Bank's website at the following link: http://www.hdfcbank.com/htdocs/common/pdf/corporate/historyofshareholding.pdf

Series 1/06/IPDI	**Series 1/08-09/UT**	**Series 1/08-09/LT**	**Series 2/08-09/UT**	**Series 2/08-09/LT**	**Series 3/08-09/UT**	**Series 1/10-11**	**Series 1/11-12/LT**	**Series 1/12-13/LT**	**Series 2/12-13/LT**	**Series 3/12-13/LT**	**FCY Debt**	**Series B**	**Series E**	**Upper Tier II**
HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank	HDFC Bank
INE040 A08229	INE040 A08252	INE040 A08245	INE040 A08260	INE040 A08278	INE040 A08286	INE040 A08294	INE040 A08302	INE040 A08310	INE040 A08328	INE040 A08336	Not applicable	INE484 A09029	INE484 A08047	INE040 A09011
Applicable Indian statutes and regulatory requirements														
Additional Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible
Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group
Perpetual Debt Instruments	Upper Tier 2 Capital Instruments	Tier 2 Debt Instruments	Upper Tier 2 Capital Instruments	Tier 2 Debt Instruments	Upper Tier 2 Capital Instruments	Upper Tier 2 Capital Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Upper Tier 2 Capital Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Upper Tier 2 Capital Instruments
1,600.0	4,839.0	7,702.2	1,674.4	1,004.6	6,672.5	9,251.1	30,557.8	29,109.4	4,730.2	11,762.6	5,016.1	-	-	837.2
2,000.0	5,780.0	11,500.0	2,000.0	1,500.0	7,970.0	11,050.0	36,500.0	34,770.0	5,650.0	14,050.0	5,991.5	150.0	40.0	1,000.0
Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability
08-Sep-06	26-Dec-08	26-Dec-08	19-Feb-09	19-Feb-09	17-Mar-09	07-Jul-10	12-May-11	13-Aug-12	31-Oct-12	28-Dec-12	21-Nov-06	16-Jun-04	25-Jan-05	24-May-07
Perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
No Maturity	26-Dec-23	26-Dec-18	19-Feb-24	19-Feb-19	17-Mar-24	07-Jul-25	12-May-26	13-Aug-27	31-Oct-22	28-Dec-22	15-Dec-21	16-May-14	25-May-14	23-May-22
Yes	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes
Date of call : 08-Sep-16 Tax event : None Regulatory event: None Redemption price : At par	Date of call : 26-Dec-18 Tax event : None Regulatory event: None Redemption price : At par	Not applicable	Date of call : 19-Feb-19 Tax event : None Regulatory event: None Redemption price : At par	Not applicable	Date of call : 17-Mar-19 Tax event : None Regulatory event: None Redemption price : At par	Date of call : 07-Jul-20 Tax event : None Regulatory event: None Redemption price : At par	Date of call : 12-May-21 Tax event : None Regulatory event: None Redemption price : At par	Date of call : 13-Aug-22 Tax event : None Regulatory event: None Redemption price : At par	Date of call : 31-Oct-17 Tax event : None Regulatory event: None Redemption price : At par	Date of call : 28-Dec-17 Tax event : None Regulatory event: None Redemption price : At par	Date of call : 15-Dec-16 Tax event : None Regulatory event: None Redemption price : At par	Not applicable	Not applicable	Date of call : 24-May-17 Tax event : None Regulatory event: None Redemption price : At par
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Coupon	Coupon	Coupon	Coupon	Coupon	Coupon	Coupon	Coupon	Coupon	Coupon	Coupon	Coupon	Coupon	Coupon	Coupon
Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Floating	Fixed	Fixed	Fixed to floating
Before call : 9.92% If call not exercised : 10.92%	Before call : 10.85% If call not exercised : 11.35%	10.70%	Before call : 9.95% If call not exercised : 10.45%	9.75%	Before call : 9.85% If call not exercised : 10.35%	Before call : 8.7% If call not exercised : 9.2%	9.48%	9.45%	8.95%	9.10%	Before call : LIBOR+1.2% If call not exercised : Libor+2.2%	7.05%	8.75%	Before call : 10.84% If call not exercised : 5 Year G Sec Yield +3.5%
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

HDFC BANK
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Item #	Particulars	Equity Shares	Lower Tier II	Lower Tier II	Series 1 & 2	Series 3	Series 4	Series 5	Series 6	Series 7	Series 8	Series 1/06	Series 2/06	Series 1/06/UT	Series 2/06/UT	Series 3/06/UT
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Partially discretionary	Partially discretionary	Partially discretionary
21	Existence of step-up or other incentive to redeem	No	No	No	No	No	No	No	No	No	No	No	No	Yes	Yes	Yes
22	Non-cumulative or cumulative	Non-cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Not applicable	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible
24	If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down feature	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
31	If write-down, write-down trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
34	If write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Perpetual Debt Instruments	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank
36	Non-compliant transitioned features	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features	Not applicable	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features

Series 1/06/IPDI	Series 1/08-09/UT	Series 1/08-09/LT	Series 2/08-09/UT	Series 2/08-09/LT	Series 3/08-09/UT	Series 1/10-11	Series 1/11-12/LT	Series 1/12-13/LT	Series 2/12-13/LT	Series 3/12-13/LT	FCY Debt	Series B	Series E	Upper Tier II
Partially discretionary	Partially discretionary	Mandatory	Partially discretionary	Mandatory	Partially discretionary	Partially discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Partially discretionary	Mandatory	Mandatory	Partially discretionary
Yes	Yes	No	Yes	No	Yes	Yes	No	No	No	No	Yes	No	No	Yes
Non-cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible	Non convertible
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank	All other creditors and Depositors of the Bank
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features	No loss absorption features

Independent Auditor's Report

To the Board of Directors of HDFC Bank Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of HDFC Bank Limited ('the Bank') and its subsidiaries and associates (collectively known as 'the Group'), which comprise the consolidated Balance Sheet as at 31 March 2014 and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. We did not audit the financial statements and other financial information of the subsidiaries of the Group whose financial statements reflect total assets of ₹ 92,402 lacs as at 31 March 2014, total revenues of ₹ 26,847 lacs and cash flows of ₹ 3,392 lacs for the year then ended. These financial statements have been audited by other auditors, whose reports have been furnished to us and were relied upon by us for our opinion on the consolidated financial statements of the Group.

4. The financial statements also include ₹ 272 lacs being the Group's proportionate share in the profit of associates which has been recognised on the basis of the audited financial statements available with the Bank. These financial statements have been audited by other auditors, whose reports have been furnished to us and were relied upon by us for our opinion on consolidated financial statements of the Group.

5. The financial statements also include ₹ 91 lacs being the Group's proportionate share in the profit of associates which has been recognised on the basis of the unaudited financial statements available with the Bank.

6. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements.

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

8. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

9. We report that the Consolidated Financial Statements have been prepared by the Bank in accordance with the requirements of Accounting Standards (AS) 21, 'Consolidated financial statements', Accounting Standards (AS) 23, 'Accounting for Investments in Associates in Consolidated Financial Statements' notified pursuant to the Companies (Accounting Standards) Rules, 2006.

10. The Balance Sheet and the Statement of Profit and Loss and the Cash Flow Statement have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.

11. Based on our audit and to the best of our information and according to the explanations given to us and on the consideration of reports of other auditors on separate financial statements and on the consideration of the unaudited financial statements and on other relevant financial information of the components, we are of the opinion that the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India and guidelines issued by Reserve Bank of India in relation to preparation of consolidated financial statements:

(a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2014;

(b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and

(c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.: 101248W

Akeel Master
Partner
Membership No.: 046768

Mumbai
April 22, 2014

Consolidated Balance Sheet

As at March 31, 2014

₹ in '000

	Schedule	As at 31-Mar-14	As at 31-Mar-13
CAPITAL AND LIABILITIES			
Capital	1	**4,798,101**	4,758,838
Reserves and surplus	2	**436,868,201**	361,668,439
Minority interest	2A	**1,517,355**	2,213,370
Deposits	3	**3,670,803,323**	2,960,917,699
Borrowings	4	**495,967,176**	394,966,127
Other liabilities and provisions	5	**426,245,464**	352,705,377
	Total	**5,036,199,620**	4,077,229,850
ASSETS			
Cash and balances with Reserve Bank of India	6	**253,572,162**	146,308,790
Balances with banks and money at call and short notice	7	**145,562,120**	129,002,845
Investments	8	**1,195,710,628**	1,109,604,124
Advances	9	**3,154,188,602**	2,472,451,151
Fixed assets	10	**30,262,787**	27,733,162
Other assets	11	**256,903,321**	192,129,778
	Total	**5,036,199,620**	4,077,229,850
Contingent liabilities	12	**7,231,729,138**	7,201,238,793
Bills for collection		**209,430,623**	261,039,630
Significant accounting policies and notes to the Consolidated financial statements	17 & 18		
The schedules referred to above form an integral part of the Consolidated Balance Sheet			

As per our report of even date.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W

Akeel Master
Partner
Membership No.: 046768

Mumbai, April 22, 2014

For and on behalf of the Board

C. M. Vasudev
Chairman

Paresh Sukthankar
Deputy Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Aditya Puri
Managing Director

Kaizad Bharucha
Executive Director

Sashidhar Jagdishan
Chief Financial Officer

Bobby Parikh
Partho Datta
Pandit Palande
Vijay Merchant
Keki Mistry
Renu Karnad
Directors

Consolidated Statement of Profit and Loss Account

For the year ended March 31, 2014

₹ in '000

		Schedule	Year Ended 31-Mar-14	Year Ended 31-Mar-13
I	**INCOME**			
	Interest earned	13	**425,550,196**	358,610,213
	Other income	14	**82,975,016**	71,329,645
		Total	**508,525,212**	429,939,858
II	**EXPENDITURE**			
	Interest expended	15	**234,454,516**	196,954,474
	Operating expenses	16	**124,696,542**	115,518,963
	Provisions and contingencies		**61,729,097**	48,463,621
		Total	**420,880,155**	360,937,058
III	**PROFIT**			
	Net profit for the year		**87,645,057**	69,002,800
	Less : Minority interest		**246,523**	335,233
	Add : Share in profits of associates		**36,316**	28,818
	Consolidated profit for the year attributable to the Group		**87,434,850**	68,696,385
	Balance in Profit and Loss account brought forward		**114,759,351**	86,213,878
		Total	**202,194,201**	154,910,263
IV	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		**21,614,541**	17,020,712
	Proposed dividend		**16,433,495**	13,096,639
	Tax (including cess) on dividend		**2,849,723**	2,227,394
	Dividend (including tax/cess thereon) pertaining to previous year paid during the year		**48,462**	44,748
	Transfer to General Reserve		**8,558,376**	6,726,285
	Transfer to Capital Reserve		**582,710**	858,498
	Transfer to Investment Reserve Account		**32,218**	176,636
	Balance carried over to Balance Sheet		**152,074,676**	114,759,351
		Total	**202,194,201**	154,910,263
V	**EARNINGS PER EQUITY SHARE (Face value ₹ 2 per hare)**		₹	₹
	Basic		**36.58**	29.10
	Diluted		**36.31**	28.78
	Significant accounting policies and notes to the Consolidated financial statements	17 & 18		
	The schedules referred to above form an integral part of the Consolidated statement of Profit and Loss			

As per our report of even date.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W

Akeel Master
Partner
Membership No.: 046768

Mumbai, April 22, 2014

For and on behalf of the Board

C. M. Vasudev
Chairman

Aditya Puri
Managing Director

Paresh Sukthankar
Deputy Managing Director

Kaizad Bharucha
Executive Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Sashidhar Jagdishan
Chief Financial Officer

Bobby Parikh
Partho Datta
Pandit Palande
Vijay Merchant
Keki Mistry
Renu Karnad
Directors

Consolidated Cash Flow Statement

For the year ended March 31, 2014

₹ in '000

Particulars	Year Ended 31-Mar-14	Year Ended 31-Mar-13
Cash flows from operating activities		
Net profit before income tax	**131,896,428**	99,733,715
Adjustments for :		
Depreciation on fixed assets	**6,886,804**	6,632,647
(Profit) / Loss on revaluation of investments	**(65,078)**	(348,627)
Amortisation of premia on Held to Maturity investments	**806,470**	5,82,183
Provision/Charge for Non Performing Assets	**18,506,221**	13,403,040
Floating Provisions	**576,750**	4,266,730
Provision for standard assets	**2,343,469**	1,339,890
Provision for wealth tax	**7,656**	6,108
Contingency provision	**(2,933,919)**	(1,337,473)
(Profit)/Loss on sale of fixed assets	**(33,736)**	10,385
Share in current year's profits of associates	**(36,316)**	(28,817)
Provision/Charge for Dimunition in value of Investment	**(41,196)**	537,294
	157,913,553	124,797,075
Adjustments for :		
(Increase) / Decrease in Investments	**(86,770,385)**	(142,403,428)
(Increase) / Decrease in Advances	**(700,414,983)**	(497,182,761)
Increase / (Decrease) in Deposits	**709,885,624**	495,521,931
(Increase) / Decrease in Other assets	**(66,178,707)**	33,359,910
Increase / (Decrease) in Other liabilities and provisions	**69,761,569**	(34,229,915)
	84,196,671	(20,137,188)
Direct taxes paid (net of refunds)	**(42,090,327)**	(38,336,069)
Net cash flow from operating activities	**42,106,344**	(58,473,257)
Cash flows from investing activities		
Purchase of fixed assets	**(8,530,884)**	(9,107,375)
Proceeds from sale of fixed assets	**130,019**	45,519
Investment in subsidiaries	**(2,265,750)**	-
Net cash used in investing activities	**(10,666,615)**	(9,061,856)

Consolidated Cash Flow Statement

For the year ended March 31, 2014

₹ in '000

Particulars	Year Ended 31-Mar-14	Year Ended 31-Mar-13
Cash flows from financing activities		
Increase in Minority Interest	**402,962**	376,784
Money received on exercise of stock options by employees	**7,232,947**	11,171,001
Proceeds from issue of Upper and Lower Tier II capital instruments	**2,300,000**	60,470,000
Increase / (Decrease) in Borrowings (excluding Subordinate debt, Perpetual debt and Upper Tier II instruments)	**98,138,049**	70,813,587
Dividend paid during the year	**(13,140,705)**	(10,135,020)
Tax on Dividend	**(2,231,791)**	(1,643,901)
Net cash generated from financing activities	**92,701,462**	131,052,451
Effect of Exchange Fluctuation on Translation reserve	**(318,543)**	42,672
Net Increase/(Decrease) in cash and cash equivalents	**123,822,648**	63,560,010
Cash and cash equivalents as at April 1st	**275,311,634**	211,751,624
Cash and cash equivalents as at Mar 31st	**399,134,282**	275,311,634

As per our report of even date.
For B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W

Akeel Master
Partner
Membership No.: 046768

Mumbai, April 22, 2014

For and on behalf of the Board

C. M. Vasudev
Chairman

Paresh Sukthankar
Deputy Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Aditya Puri
Managing Director

Kaizad Bharucha
Executive Director

Sashidhar Jagdishan
Chief Financial Officer

Bobby Parikh
Partho Datta
Pandit Palande
Vijay Merchant
Keki Mistry
Renu Karnad
Directors

As at March 31, 2014

₹ in '000

		As at 31-Mar-14	As at 31-Mar-13
SCHEDULE 1 - CAPITAL			
Authorised Capital			
2,75,00,00,000 (31 March, 2013 : 2,75,00,00,000) Equity Shares of ₹ 2/- each		**5,500,000**	5,500,000
Issued, subscribed and paid-up capital			
2,39,90,50,435 (31 March, 2013 : 2,37,94,19,030) Equity Shares of ₹ 2/- each		**4,798,101**	4,758,838
	Total	**4,798,101**	4,758,838
SCHEDULE 2 - RESERVES AND SURPLUS			
I **Statutory reserve**			
Opening balance		**70,268,983**	53,248,271
Additions during the year		**21,614,541**	17,020,712
	Total	**91,883,524**	70,268,983
II **General reserve**			
Opening balance		**26,129,001**	19,402,716
Additions during the year		**8,558,376**	6,726,285
	Total	**34,687,377**	26,129,001
III **Balance in profit and loss account**		**152,074,676**	114,759,351
IV **Share premium account**			
Opening balance		**135,636,749**	124,749,640
Additions during the year		**7,415,134**	10,887,109
	Total	**143,051,883**	135,636,749
V **Amalgamation reserve**			
Opening balance		**10,635,564**	10,635,564
Additions during the year		**-**	-
	Total	**10,635,564**	10,635,564
VI **Capital reserve**			
Opening balance		**3,813,175**	2,954,677
Additions during the year		**582,710**	858,498
	Total	**4,395,885**	3,813,175
VII **Investment reserve account**			
Opening balance		**176,636**	-
Additions during the year		**342,831**	231,802
Deductions during the year		**(310,612)**	(55,166)
	Total	**208,855**	176,636
VIII **Foreign currency translation account**			
Opening balance		**248,980**	206,308
Additions / (deductions) during the year		**(318,543)**	42,672
	Total	**(69,563)**	248,980
	Total	**436,868,201**	361,668,439

As at March 31, 2014

₹ in '000

		As at 31-Mar-14	As at 31-Mar-13
SCHEDULE 2 A - MINORITY INTEREST			
Minority interest at the date on which parent subsidiary relationship came into existence		**276,029**	276,029
Subsequent increase		**1,241,326**	1,937,341
	Total	**1,517,355**	2,213,370
Includes reserves of Employee Welfare Trust of ₹ 60.03 crore (previous year : ₹ 56.98 crore)			
SCHEDULE 3 - DEPOSITS			
A I **Demand deposits**			
(i) From banks		**12,169,991**	10,385,135
(ii) From others		**600,804,871**	511,964,115
	Total	**612,974,862**	522,349,250
II **Savings bank deposits**		**1,031,326,133**	882,099,711
III **Term deposits**			
(i) From banks		**15,422,987**	14,278,854
(ii) From others		**2,011,079,341**	1,542,189,884
	Total	**2,026,502,328**	1,556,468,738
	Total	**3,670,803,323**	2,960,917,699
B I **Deposits of branches in India**		**3,609,741,720**	2,944,855,098
II **Deposits of branches outside India**		**61,061,603**	16,062,601
	Total	**3,670,803,323**	2,960,917,699
SCHEDULE 4 - BORROWINGS			
I **Borrowings in India**			
(i) Reserve Bank of India		**-**	2,750,000
(ii) Other banks		**70,694,514**	46,706,913
(iii) Other institutions and agencies		**37,520,000**	43,830,200
(iv) Upper and lower Tier II capital and innovative perpetual debts		**168,739,000**	166,439,000
	Total	**276,953,514**	259,726,113
II **Borrowings outside India***		**219,013,662**	135,240,014
	Total	**495,967,176**	394,966,127
**Includes Upper Tier II debt of ₹ 599.15 crore (previous year : ₹ 542.85 crore)*			
Secured borrowings included in I & II above : ₹ 8,922.73 crore (previous year : ₹ 5,759.80 crore)			
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS			
I Bills payable		**56,112,013**	54,787,708
II Interest accrued		**28,261,198**	63,733,348
III Others (including provisions)		**309,650,317**	208,300,224
IV Contingent provisions against standard assets		**12,938,718**	10,560,063
V Proposed dividend (including tax on dividend)		**19,283,218**	15,324,034
	Total	**426,245,464**	352,705,377

As at March 31, 2014

₹ in '000

		As at 31-Mar-14	As at 31-Mar-13
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA			
I Cash in hand (including foreign currency notes)		**38,620,900**	50,112,036
II Balances with Reserve Bank of India :			
(a) In current accounts		**212,951,262**	94,196,754
(b) In other accounts		**2,000,000**	2,000,000
	Total	**214,951,262**	96,196,754
	Total	**253,572,162**	146,308,790
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I In India			
(i) Balances with banks :			
(a) In current accounts		**2,102,898**	3,346,215
(b) In other deposit accounts		**24,026,788**	49,002,392
	Total	**26,129,686**	52,348,607
(ii) Money at call and short notice :			
(a) With banks		**1,000,000**	17,850,000
(b) With other institutions		**15,366,745**	-
	Total	**16,366,745**	17,850,000
	Total	**42,496,431**	70,198,607
II Outside India			
(i) In current accounts		**40,154,939**	5,876,363
(ii) In other deposit accounts		**2,995,750**	8,142,750
(iii) Money at call and short notice		**59,915,000**	44,785,125
	Total	**103,065,689**	58,804,238
	Total	**145,562,120**	129,002,845
SCHEDULE 8 - INVESTMENTS			
A. Investments in India in			
(i) Government securities		**946,400,171**	849,023,184
(ii) Other approved securities		**-**	-
(iii) Shares		**1,479,364**	1,418,665
(iv) Debentures and bonds		**27,152,237**	17,269,037
(v) Joint ventures *		**544,510**	508,300
(vi) Others (Units, CDs / CPs, PTCs, security receipts and NABARD deposits)		**210,918,625**	236,353,772
	Total	**1,186,494,907**	1,104,572,958
**Includes Goodwill of ₹ 0.70 crore (previous year : ₹ 0.70 crore) and Capital Reserve of ₹ 0.43 crore on account of investment in associates (previous year : ₹ 0.43 crore)*			
B Investments outside India in			
Other investments			
(a) Shares		**9,396**	9,396
(b) Debentures and bonds		**9,206,325**	5,021,770
	Total	**9,215,721**	5,031,166
	Total	**1,195,710,628**	1,109,604,124

As at March 31, 2014

₹ in '000

		As at 31-Mar-14	As at 31-Mar-13
C Investments			
(i) Gross value of investments			
(a) In India		**1,188,244,432**	1,106,955,742
(b) Outside India		**9,215,721**	5,031,166
	Total	**1,197,460,153**	1,111,986,908
(ii) Provision for depreciation			
(a) In India		**1,749,525**	2,382,784
(b) Outside India		**-**	-
	Total	**1,749,525**	2,382,784
(iii) Net value of investments			
(a) In India		**1,186,494,907**	1,104,572,958
(b) Outside India		**9,215,721**	5,031,166
	Total	**1,195,710,628**	1,109,604,124

SCHEDULE 9 - ADVANCES

		As at 31-Mar-14	As at 31-Mar-13
A (i) Bills purchased and discounted		**146,469,089**	123,219,205
(ii) Cash credits, overdrafts and loans repayable on demand		**1,232,781,559**	945,869,566
(iii) Term loans		**1,774,937,954**	1,403,362,380
	Total	**3,154,188,602**	2,472,451,151
Loans with tenor of less than one year are classified under A (ii) above			
B (i) Secured by tangible assets*		**2,419,011,548**	1,832,585,009
(ii) Covered by bank / government guarantees		**41,688,328**	61,551,311
(iii) Unsecured		**693,488,726**	578,314,831
	Total	**3,154,188,602**	2,472,451,151
** Including advances against book debts*			
C I Advances in India			
(i) Priority sector		**898,226,797**	770,444,752
(ii) Public sector		**124,180,757**	84,217,368
(iii) Banks		**1,177,248**	917,007
(iv) Others		**1,897,668,290**	1,520,913,534
	Total	**2,921,253,092**	2,376,492,661
II Advances outside India			
(i) Due from banks		**7,469,539**	18,469,102
(ii) Due from others			
a) Bills purchased and discounted		**177,402**	409,362
b) Syndicated loans		**21,134,880**	13,623,839
c) Others		**204,153,689**	63,456,187
	Total	**232,935,510**	95,958,490
Advances are net of provisions	**Total**	**3,154,188,602**	2,472,451,151

HDFC BANK
We understand your world

As at March 31, 2014

			₹ in '000
		As at 31-Mar-14	As at 31-Mar-13
SCHEDULE 10 - FIXED ASSETS			
A **Premises** (including land)			
Gross block			
At cost on 31 March of the preceding year		**11,642,394**	10,519,672
Additions during the year		**2,637,812**	1,140,440
Deductions during the year		**(110,771)**	(17,718)
	Total	**14,169,435**	11,642,394
Depreciation			
As at 31 March of the preceding year		**2,916,893**	2,488,876
Charge for the year		**501,047**	443,998
On deductions during the year		**(80,762)**	(15,981)
	Total	**3,337,178**	2,916,893
Net block		**10,832,257**	8,725,501
B **Other fixed assets** (including furniture and fixtures)			
Gross block			
At cost on 31 March of the preceding year		**53,913,943**	45,181,384
Additions during the year		**6,878,474**	9,504,932
Deductions during the year		**(693,167)**	(772,373)
	Total	**60,099,250**	53,913,943
Depreciation			
As at 31 March of the preceding year		**34,906,282**	29,434,114
Charge for the year		**6,389,332**	6,190,167
On deductions during the year		**(626,894)**	(717,999)
	Total	**40,668,720**	34,906,282
Net block		**19,430,530**	19,007,661
C **Assets on lease** (plant and machinery)			
Gross block			
At cost on 31 March of the preceding year		**4,546,923**	4,546,923
Additions during the year		-	-
	Total	**4,546,923**	4,546,923

As at March 31, 2014

₹ in '000

		As at 31-Mar-14	As at 31-Mar-13
Depreciation			
As at 31 March of the preceding year		**4,104,467**	4,104,467
Charge for the year		**-**	-
	Total	**4,104,467**	4,104,467
Lease adjustment account			
As at 31 March of the preceding year		**442,456**	442,456
Charge for the year		**-**	-
	Total	**442,456**	442,456
Unamortised cost of assets on lease		**-**	-
	Total	**30,262,787**	27,733,162

SCHEDULE 11 - OTHER ASSETS

			As at 31-Mar-14	As at 31-Mar-13
I	Interest accrued		**45,961,534**	39,225,430
II	Advance tax / tax deducted at source (net of provisions)		**12,807,051**	15,915,695
III	Stationery and stamps		**202,985**	165,999
IV	Non banking assets acquired in satisfaction of claims		**-**	-
V	Bond and share application money pending allotment		**9,029**	29,333
VI	Security deposit for commercial and residential property		**3,807,941**	4,125,210
VII	Others *		**194,114,781**	132,668,111
		Total	**256,903,321**	192,129,778

* *Includes deferred tax asset (net) of ₹ 1,918.56 crore (previous year : ₹ 1,913.06 crore) and Goodwill of ₹ 154.85 crore (previous year : ₹ 38.17 crore)*

SCHEDULE 12 - CONTINGENT LIABILITIES

			As at 31-Mar-14	As at 31-Mar-13
I	Claims against the bank not acknowledged as debts - taxation		**8,311,600**	9,351,700
II	Claims against the bank not acknowledged as debts - others		**831,507**	3,987,800
III	Liability on account of outstanding forward exchange contracts		**4,753,861,196**	4,467,860,687
IV	Liability on account of outstanding derivative contracts		**2,009,620,394**	2,292,213,027
V	Guarantees given on behalf of constituents			
	- in India		**210,495,379**	162,354,071
	- outside India		**35,915,763**	3,993,576
VI	Acceptances, endorsements and other obligations		**192,095,251**	220,595,426
VII	Other items for which the Bank is contingently liable		**20,598,048**	40,882,506
		Total	**7,231,729,138**	7,201,238,793

For the year ended March 31, 2014

			₹ in '000
		Year Ended 31-Mar-14	Year Ended 31-Mar-13
SCHEDULE 13 - INTEREST EARNED			
I	Interest / discount on advances / bills	**330,775,141**	275,912,115
II	Income from investments	**90,392,028**	78,242,820
III	Interest on balance with RBI and other inter-bank funds	**3,786,035**	3,019,141
IV	Others	**596,992**	1,436,137
	Total	**425,550,196**	358,610,213
SCHEDULE 14 - OTHER INCOME			
I	Commission, exchange and brokerage	**60,968,819**	54,426,310
II	Profit / (loss) on sale of investments (net)	**1,002,141**	1,278,691
III	Profit / (loss) on revaluation of investments (net)	**65,078**	348,627
IV	Profit / (loss) on sale of building and other assets (net)	**33,736**	(10,385)
V	Profit / (loss) on exchange / derivative transactions (net)	**14,008,092**	10,101,338
VI	Income earned by way of dividends etc. from subsidiaries / companies and / or joint ventures abroad / in India	**-**	7,693
VII	Miscellaneous income	**6,897,150**	5,177,371
	Total	**82,975,016**	71,329,645
SCHEDULE 15 - INTEREST EXPENDED			
I	Interest on deposits	**190,425,563**	163,132,026
II	Interest on RBI / inter-bank borrowings	**34,468,911**	28,335,378
III	Other interest	**9,560,042**	5,487,070
	Total	**234,454,516**	196,954,474
SCHEDULE 16 - OPERATING EXPENSES			
I	Payments to and provisions for employees	**44,944,724**	42,017,887
II	Rent, taxes and lighting	**9,471,478**	8,615,335
III	Printing and stationery	**2,740,915**	3,117,920
IV	Advertisement and publicity	**1,451,665**	1,870,160
V	Depreciation on bank's property	**6,886,804**	6,632,647
VI	Directors' fees, allowances and expenses	**8,766**	7,701
VII	Auditors' fees and expenses	**13,368**	14,612
VIII	Law charges	**793,102**	509,569
IX	Postage, telegram, telephone etc.	**4,305,680**	4,147,333
X	Repairs and maintenance	**7,987,391**	7,753,007
XI	Insurance	**3,420,379**	2,882,090
XII	Other expenditure*	**42,672,270**	37,950,702
	Total	**124,696,542**	115,518,963

** Includes marketing expenses, professional fees, commission to sales agents, travel and hotel charges, entertainment, registrar and transfer agency fees and system management fees*

For the year ended March 31, 2014

Schedule 17 - Significant accounting policies appended to and forming part of the consolidated financial statements for the year ended March 31, 2014.

A BACKGROUND

HDFC Bank Limited ('HDFC Bank' or 'the Bank'), incorporated in Mumbai, India is a publicly held banking company engaged in providing a range of banking and financial services including commercial banking and treasury operations. The Bank is governed by the Banking Regulation Act, 1949. The Bank has overseas branch operations in Bahrain and Hong Kong.

B PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank, its subsidiaries and associates, which together constitute the 'Group'.

The Bank consolidates its subsidiaries in accordance with Accounting Standard ('AS') 21, Consolidated Financial Statements, notified by the Companies Accounting Standard Rules, 2006 on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. Capital reserve / Goodwill on consolidation represent the difference between the Bank's share in the net worth of the subsidiary and the cost of acquisition at the time of making the investment in the subsidiary. Further, the Bank accounts for investments in associates under equity method of accounting in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements, notified by the Companies Accounting Standard Rules, 2006.

C BASIS OF PREPARATION

The consolidated financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') notified under the Companies (Accounting Standard) Rules, 2006 to the extent applicable and current practices prevailing within the banking industry in India. Suitable adjustments are made to align with the format prescribed under the Banking Regulation Act, 1949.

Use of estimates

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

HDB Financial Services Limited is a non-banking financial company and a subsidiary of the Bank. HDFC Securities Limited is a financial services provider along with broking as core product and a subsidiary of the Bank.

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

Name	Relation	Country of incorporation	Ownership interest**
HDFC Securities Limited	Subsidiary	India	89.2%
HDB Financial Services Limited	Subsidiary	India	97.3%
Atlas Documentary Facilitators Company Private Limited	Associate	India	29.0%
International Asset Reconstruction Company Private Limited	Associate	India	29.4%
HBL Global Private Limited	Associate	India	Nil
HDB Employee Welfare Trust	*	India	

* *The accounts of HDB Employee Welfare Trust, a trust established for providing general welfare measures such as medical relief and educational assistance to the employees of the Bank and their dependants has been entirely consolidated.*

** *Denotes HDFC Bank's direct interest.*

During the year ended March 31, 2014, the Bank purchased 4,275,000 shares of HDFC Securities Limited and thereby increased its stake-holding in HDFC Securities Limited from 62.1% to 89.9%. Further, the shareholding decreased from 89.9% to 89.2% on account of 111,150 stock options exercised by Minority Stakeholders.

During the year ended March 31, 2014 the shareholding in HDB Financial Services Limited decreased from 97.4% to 97.3% on account of 293,000 stock options exercised by Minority Stakeholders.

The audited financial statements of the subsidiary companies, entity controlled by the Bank, associates and the un-audited financial statements of an associate have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2014.

D PRINCIPAL ACCOUNTING POLICIES

1 Investments

HDFC Bank Limited

Classification :

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

Recording purchase and sale transactions in securities is done following ‘Settlement Date’ accounting, except in the case of equity shares where ‘Trade Date’ accounting is followed.

Basis of classification :

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category.

Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments in the equity of subsidiaries / joint ventures are categorised as HTM in accordance with the RBI guidelines.

Investments which are not classified in the above categories, are classified under AFS category.

Acquisition cost :

In determining acquisition cost of an investment :

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

Disposal of investments :

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

Short sale :

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

Valuation :

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

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

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

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

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

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

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

Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments, are valued at carrying cost.

Security receipts are valued as per the Net Asset Value provided by the issuing Asset Reconstruction Company from time to time.

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

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

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

Repo and reverse repo transactions :

In accordance with the RBI guidelines Repo and Reverse Repo transactions in government securities and corporate debt securities (excluding transactions conducted under Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI) are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.

In respect of repo transactions under LAF and MSF with RBI, amount borrowed from RBI is credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of reverse repo transactions under LAF, amount lent to RBI is debited to investment account and reversed on maturity of the transaction. Revenues thereon are accounted for as interest income.

HDFC Securities Limited

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

HDB Financial Services Limited

Investments expected to mature after twelve months are taken as non current / long term investment and stated at cost. Provision is recognised only in case of diminution, which is other than temporary in nature. Investments maturing within three months from the date of acquisition are classified as cash equivalents if they are readily convertible into cash. All other investment are recognised as current investments / short term and are valued at lower of cost and net realizable value.

Interest on borrowings is recognized in Statement of Profit and Loss on an accrual basis. Costs associated with borrowings are grouped under financial charges along with the interest costs.

HDB Employees Welfare Trust

Long-term investments are stated at cost of acquisition. Provision for diminution is made if such diminution is considered as being other than temporary in nature.

2 Advances

HDFC Bank Limited

Classification :

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

Provisioning :

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

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

Recoveries from bad debts written-off are recognised in the Statement of Profit and Loss and included under Other Income.

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

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

Provisions made in excess of these regulatory requirements or provisions which are not made with respect to specific non-performing assets are categorised as floating provisions. Creation of floating provisions is considered by the Bank up to a level approved by the Board of Directors. In accordance with the RBI guidelines and as per policy approved by the Board, floating provisions are not reversed by credit to Statement of Profit and Loss. Floating provisions are used only for contingencies under extraordinary circumstances wherein these are used for making specific provisions for impaired accounts. Floating provisions have been included under Other Liabilities.

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

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

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

HDB Financial Services Limited

Classification :

Advances are classified as standard, substandard and doubtful assets as per the Company policy approved by the Board which is more conservative than the relevant RBI guidelines. Interest on non-performing advances is transferred to an interest suspense account and not recognised in the Statement of Profit and Loss until received. Loan assets are recognised on disbursement of loan and in case of new asset financing on the transfer of ownership.

Provisioning :

The Company assesses all receivables for their recoverability and accordingly recognises provision for non performing and doubtful assets as per approved Company policies and guidelines. The Company ensures provisions made are not lower than as stipulated by RBI guidelines.

The Company provides 0.25% on standard assets as stipulated by Circular No. DNBS.PD.CC.No.207/03.02.002/2010-11 dated January 17, 2011 issued by RBI under the head "Contingent Provision against Standard Assets". The Company has also made additional provision on standard assets under the head "General provisions". The rate of general provision is based on the management estimate of future expected losses in loan portfolio. The rate of general provision is calculated using "probability of default" (PD) and "Loss given default" (LGD)

Loan origination costs :

Brokerage, commission, incentive to employee, etc. paid at the time of acquisition of loans are charged to revenue.

3 Securitisation and transfer of assets

HDFC Bank Limited

The Bank securitises out its receivables subject to the minimum holding period ('MHP') criteria and the minimum retention requirements ('MRR') of RBI, to Special Purpose Vehicles ('SPVs') in securitisation transactions. Such securitised-out receivables are de-recognised in the Balance Sheet when they are sold (true sale criteria being fully met with) and consideration is received by the Bank. Sales / transfers that do not meet these criteria for surrender of control are accounted for as secured borrowings.

In respect of receivable pools securitised-out, the Bank provides liquidity and credit enhancements, as specified by the rating agencies, in the form of cash collaterals / guarantees and / or by subordination of cash flows, not exceeding 20% of the total securitised instruments, in line with RBI guidelines. The Bank also acts as a servicing agent for receivable pools securitised-out.

The Bank also enters into transactions for transfer of standard assets through the direct assignment of cash flows, which are similar to asset-backed securitisation transactions through the SPV route, except that such portfolios of receivables are assigned directly to the purchaser and are not represented by Pass through Certificates ('PTCs'), subject to the RBI prescribed MHP criteria and the MRR. The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines.

Pursuant to these guidelines, the Bank amortises any profit received in cash for every individual securitisation or direct assignment transaction at the end of every financial year. This amortisation is calculated as the maximum of either of the three parameters stated below :

- the losses incurred on the portfolio, including marked-to-market losses in case of securitisation transactions, specific provisions, if any, and direct write-offs made on the MRR and any other exposures to the securitisation transaction (other than credit enhancing interest only strip); or
- the amount of unamortised cash profit at the beginning of the year multiplied by the amount of principal amortised during the year as a proportion to the amount of unamortised principal at the beginning of the year; or
- the amount of unamortised cash profit at the beginning of the year divided by residual maturity of the securitisation or the direct assignment transaction.

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

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

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

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the Statement of Profit and Loss. If the sale is for a value higher than the net book value, the excess provision is not reversed but is utilised to meet the shortfall / loss on account of sale of other non-performing advances. The RBI issued new guidelines on sale of non-performing advances on February 26, 2014. In accordance with these guidelines, if the sale of non-performing advances is at a price below the net book value, the shortfall is charged to the Statement of Profit and Loss spread over a period of two years. If the sale is for a value higher than the net book value, the excess provision is credited to the Statement of Profit and Loss in the year the amounts are received.

The Bank invests in PTCs issued by other SPVs. These are accounted for at the deal value and are classified as investments. The Bank also buys loans through the direct assignment route which are classified as advances. These are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised based on effective interest rate (EIR) method.

HDB Financial Services Limited

Gains arising on assignment of receivables will be recognised at the end of the tenure of assignment contract as per the RBI guidelines, while loss, if any is recognised upfront.

4 Fixed assets and depreciation

HDFC Bank Limited

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

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. The rates of depreciation are not lower than the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation rates for certain key fixed assets are given below :

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

- Improvements to lease hold premises are charged off over the remaining primary period of lease.
- Items (excluding staff assets) costing less than ₹ 5,000 and point of sale terminals are fully depreciated in the year of purchase.
- All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956.
- For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Bank.

- The Bank undertakes assessment of the useful life of an asset at periodic intervals taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use etc. Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.

HDFC Securities Limited

Tangible assets are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises purchase price and expenses directly attributable to bringing the asset to its working condition for the intended use. Subsequent expenditure related to an item of fixed asset are added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.

Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements.

Gains or losses arising from disposal or retirement of tangible fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised net, within “Other Income” or “Other Expenses”, as the case maybe, in the Statement of Profit and Loss in the year of disposal or retirement.

Depreciation is provided on a pro-rata basis using the straight-line method over the estimated useful lives of the assets or at the rates prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher, as follows :

Asset	**Estimated useful life**
Computers	3 years
Computers peripherals	4 years
Office equipment	6 years
Furniture and fixtures	15 years
Leasehold Improvements	over the primary period of the lease
Electricals	21 years
Vehicles	4 years
Office premises	61 years

- All tangible and intangible assets costing less than ₹ 5,000 individually are fully depreciated in the year of purchase.
- Useful lives are reviewed at each financial year end and adjusted if appropriate.
- Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any.
- Cost of an intangible asset includes purchase price, non-refundable taxes and duties and any other directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset is charged to the Statement of Profit and Loss as an expense unless it is probable that such expenditure will enable the intangible asset increase the future benefits from the existing asset beyond its previously assessed standard of performance and such expenditure can be measured and attributed to the intangible asset reliably, in which case, such expenditure is capitalised.
- Intangible assets are amortised on a straight-line basis over their estimated useful lives. A rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use is considered by the management. The amortisation period and the amortisation method are reviewed at least at each reporting date. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.
- Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss in the year of disposal.

The estimated useful lives of intangible assets used for amortisation are :

Asset	Estimated useful life
Computer software licenses	5 years
Electronic trading platform	5 years
Bombay stock exchange card	10 years

HDB Financial Services Limited

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. The cost of fixed assets comprise purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefit / functioning capability from / of such assets.

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. The rates of depreciation for certain key fixed assets used in arriving at the charge for the year are as under :

Asset	Depreciation rate per annum
Office equipment	16.21%
Computer	33.33%
Motor cars	20.00%
Immovable property	1.63%
Furniture & fixtures	9.50%
Software and system development	33.33%

- Improvements to lease hold premises are charged off over the primary period of lease or its useful life, whichever is lower.
- Items costing less than ₹ 5,000/- are fully depreciated in the year of purchase.
- All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956.
- For assets purchased and sold during the year, depreciation is being provided on pro rata basis by the Company.

5 Impairment of assets

Group

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

6 Transactions involving foreign exchange

HDFC Bank Limited

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

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

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

Foreign exchange spot and forward contracts outstanding as at the Balance Sheet date and held for trading, are revalued at the closing spot and forward rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities. The contracts for longer maturities i.e. greater than one year are revalued using MIFOR (Mumbai Interbank Forward Offer Rate) and contracts with USD-INR currency pair are valued using USD LIBOR (London Interbank Offered Rate) rates. For other currency pairs, the forward points (as published by FEDAI) are extrapolated. The resulting profit or loss on valuation is recognised in the Statement of Profit and Loss.

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

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

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

7 Derivative contracts

HDFC Bank Limited

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

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

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

8 Revenue recognition

HDFC Bank Limited

- Interest income is recognised in the Statement of Profit and Loss on an accrual basis, except in the case of non-performing assets where it is recognised upon realisation as per RBI norms.
- Interest income on investments in PTCs and loans bought out through the direct assignment route is recognised at their effective interest rate.
- Income on non-coupon bearing discounted instruments is recognised over the tenor of the instrument on a constant effective yield basis.
- Loan Processing Fee is recognised as income when due. Syndication / arranger fee is recognised as income when a significant act / milestone is completed.
- Gain / loss on sell down of loans is recognised in line with the extant RBI guidelines.
- Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.
- Guarantee commission, commission on Letter of Credit, annual locker rent fees and annual fees for credit cards are recognised on a straight line basis over the period of contract. Other fees and commission income is recognised when due, except in cases where the Bank is uncertain of ultimate collection.

HDFC Securities Limited

- Income from services rendered as a brokerage is recognised upon rendering of the services.
- Commissions are recorded on a trade date basis as the securities transaction occurs.
- Fees for subscription based services are received periodically but are recognised as earned on a pro-rata basis over the term of the contract.
- Commissions from distribution of financial products are recognised upon allotment of the securities to the applicant or as the case may be, issue of the insurance policy to the applicant.
- Commissions and fees recognised as aforesaid are exclusive of service tax, securities transaction tax, stamp duties and other levies by SEBI and stock exchanges.
- Interest is earned on delayed payments from clients and amounts funded to them as well as term deposits with banks.
- Interest income is recognised on a time proportion basis taking into account the amount outstanding from customers or on the financial instrument and the rate applicable.
- Dividend income is recognised when the right to receive the dividend is established.

HDB Financial Services Limited

- Interest income is recognised in the Statement of Profit and Loss on an accrual basis. In case of Non Performing Assets (NPA) interest income is recognised upon realisation as per the RBI Guidelines. Interest accrued and not realised before the classification of the asset as an NPA is reversed and credited to the interest suspense account.
- Income from BPO services and other financial charges are recognised on an accrual basis, except in case of cheque bouncing charges, late payment charges, foreclosure charges and application money, which are accounted as and when received.
- Upfront / processing fees are recovered and recognised at the time of disbursement of loan.
- Income from dividend is recognised in the Statement of Profit and Loss when the right to receive is established.

HDB Employees Welfare Trust

- Income is recognised on accrual basis.

9 Employee benefits

HDFC Bank Limited

Employee stock option scheme ('ESOS')

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

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

Gratuity

The Bank provides for gratuity to all employees. The benefit is in the form of lump sum payment to vested employees on resignation, retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Bank makes contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. In respect of erstwhile Lord Krishna Bank ('eLKB') employees, the Bank makes contribution to a fund set up by eLKB and administered by the board of trustees. The defined gratuity benefit plans are valued by an independent actuary as at the Balance Sheet date using the projected unit credit method as per the requirement of AS-15 (Revised 2005), Employee Benefits to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognised in the Statement of Profit and Loss.

Superannuation

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

Provident fund

In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund.

The Bank contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary). Of this, the Bank contributes an amount equal to 8.33% of employee's basic salary up to a maximum salary level of ₹ 6,500/- per month, to the Pension Scheme administered by the Regional Provident Fund Commissioner ('RPFC'). The balance amount is contributed to a fund set up by the Bank and administered by a board of trustees. In respect of eCBoP employees, employer's and employee's share of contribution to Provident Fund till March 2009, was administered by RPFC and from April 2009 onwards, the same is transferred to fund set up by the Bank and administered by the board of trustees. In respect of eLKB employees, the Bank contributes to a fund set up by eLKB and administered by a board of trustees. The Bank recognises such contributions as an expense in the year in which it is incurred. Interest payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central government under the Employees Provident Funds and Miscellaneous Provisions Act 1952 and shortfall, if any, shall be made good by the Bank. The guidance note on implementing AS-15 (revised 2005), Employee Benefits, states that benefits involving employer established provident funds, which require interest shortfalls to be provided, are to be considered as defined benefit plans. Actuarial valuation of this Provident Fund interest shortfall is done as per the guidance note issued in this respect by the Actuarial Society of India and provision towards this liability is made.

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

Leave encashment / Compensated absences

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

Pension

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

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

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

HDFC Securities Limited

Short term

Short term employee benefits include salaries and performance incentives. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or informal obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. These costs are recognised as an expense in the Statement of Profit and Loss at the undiscounted amount expected to be paid over the period of services rendered by the employees to the Company.

Long term

The Company offers its employees long term benefits by way of defined-contribution and defined-benefit plans, of which some have assets in special funds or securities. The plans are financed by the Company and in the case of some defined contribution plans by the Company along with its employees.

Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the employees' provident fund, family pension fund and superannuation fund. The Company's payments to the defined-contribution plans are reported as expenses during the period in which the employees perform the services that the payment covers.

Defined-benefit plans

Expenses for defined-benefit gratuity plan are calculated as at the balance sheet date by an independent actuary in a manner that distributes expenses over the employee's working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees. The fair values of the plan assets are deducted in determining the net liability. When the fair value of plan assets exceeds the commitments computed as aforesaid, the recognised asset is limited to the net total of any cumulative past service costs and the present value of any economic benefits available in the form of reductions in future contributions to the plan.

Actuarial losses or gains are recognised in the Statement of Profit and Loss in the year in which they arise.

Other employee benefits

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be availed in twelve months immediately following the year in which the employee has rendered service are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits.

Where there are restrictions on availment of such accrued benefit or where the availment is otherwise not expected to wholly occur in the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method.

Share-based payment transactions

Equity settled stock options granted under the Company's Employee Stock Option Schemes are accounted for as per the accounting treatment prescribed by the Guidance Note on Employee Share-based Payments issued by the Institute of Chartered Accountants of India. The intrinsic value of the option being excess of fair value of the underlying share immediately prior to date of grant over its exercise price is recognised as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Statement of Profit and Loss on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion and credit to deferred employee compensation expense equal to the unamortised portion.

HDB Financial Services Limited

Long term employee benefits

Gratuity

The Company provides for gratuity to all employees. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, or death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company makes annual contributions to fund administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The defined benefit plan are valued by an independent external actuary as at the balance sheet date using the projected unit credit method to determine the present value of defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognised in the statement of profit and loss.

Provident fund

In accordance with the applicable law, all employees of the Company are entitled to receive benefits under the Provident Fund Act, 1952. The Company contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary) to the Pension Scheme administered by the Regional Provident Fund Commissioner (RPFC) and the Company has no liability for future provident fund benefits other than its annual contribution. Since it is a defined contribution plan, the contributions are accounted for on an accrual basis and recognised in the Statement of Profit and Loss.

Compensated absences

The Company does not have a policy of encashment of unavailed leaves for its employees but are permitted to carry forward subject to a prescribed maximum days. The Company provides for compensated absences in accordance with AS-15 (revised 2005) Employee Benefits issued by ICAI. The provision is based on an independent external actuarial valuation at the balance sheet date.

10 Debit and credit cards reward points

HDFC Bank Limited

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

11 Bullion

HDFC Bank Limited

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

The Bank also sells bullion to its retail customers. The difference between the sale price to customers and actual price quoted by supplier is recorded under commission income.

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

12 Lease accounting

Group

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

13 Income tax

Group

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

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

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

14 Earnings per share

Group

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

15 Segment information

Group

The segmental classification to the respective segments is in accordance with the guidelines issued by RBI.

16 Accounting for provisions, contingent liabilities and contingent assets

Group

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

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

A disclosure of contingent liability is made when there is :

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

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

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

17 Cash and cash equivalents

Group

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

For the year ended March 31, 2014

Schedule 18 - Notes forming part of the consolidated financial statements for the year ended March 31, 2014

Amounts in Notes forming part of the Financial Statements for the year ended March 31, 2014 are denominated in Rupee crore to conform to extant RBI guidelines.

1 Earnings per equity share

Basic and Diluted earnings per equity share have been calculated based on the net profit after taxation of ₹ 8,743.49 crore (previous year : ₹ 6,869.64 crore) and the weighted average number of equity shares outstanding during the year of 2,390,289,717 (previous year : 2,360,960,867)

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

Particulars	For the year ended	
	March 31, 2014	March 31, 2013
Nominal value per share	2.00	2.00
Basic earnings per share	36.58	29.10
Effect of potential equity shares (per share)	(0.27)	(0.32)
Diluted earnings per share	36.31	28.78

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

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

Particulars	For the year ended	
	March 31, 2014	March 31, 2013
Weighted average number of equity shares used in computing basic earnings per equity share	2,390,289,717	2,360,960,867
Effect of potential equity shares outstanding	17,849,608	26,076,830
Weighted average number of equity shares used in computing diluted earnings per equity share	2,408,139,325	2,387,037,697

2 Reserves and surplus

Draw down from reserves

There has been no draw down from reserves during the year ended March 31, 2014 (previous year : Nil).

Statutory reserve

The Bank has made an appropriation of ₹ 2,161.45 crore (previous year : ₹ 1,702.07 crore) out of profits for the year ended March 31, 2014 to Statutory Reserve pursuant to the requirements of section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

Capital reserve

During the year ended March 31, 2014, the Bank appropriated ₹ 58.27 crore (previous year : ₹ 85.85 crore), being the profit from sale of investments under HTM category, net of taxes and transfer to statutory reserve, from Profit and Loss Account to Capital Reserve account.

General reserve

The Bank has made an appropriation of ₹ 855.84 crore (previous year : ₹ 672.63 crore) out of profits for the year ended March 31, 2014 to General Reserve pursuant to Companies (Transfer of Profits to Reserves) Rules, 1975.

Investment reserve account

During the year ended March 31, 2014, the Bank has appropriated ₹ 3.22 crore (net) (previous year : ₹ 17.66 crore (net)) from Profit and Loss Account to Investment Reserve Account.

3 Dividend on shares allotted pursuant to exercise of stock options

The Bank may allot equity shares after the Balance Sheet date but before the book closure date pursuant to the exercise of any employee stock options. These equity shares will be eligible for full dividend for the year ended March 31, 2014, if approved at the ensuing Annual General Meeting.

4 Accounting for employee share based payments

HDFC Bank Limited

The shareholders of the Bank approved grant of equity share options under Plan "B" in June 2003, Plan "C" in June 2005, Plan "D" in June 2007, Plan "E" in June 2010 and Plan “F” in June 2013. Under the terms of each of these Plans, the Bank may issue Equity Stock Options ('ESOPs') to employees and whole time directors of the Bank, each of which is convertible into one equity share. All the plans were framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time.

Plans B, C, D, E and F provide for the issuance of options at the recommendation of the Compensation Committee at the closing price on the working day immediately preceding the date when options are granted. For Plan B the price is that quoted on an Indian stock exchange with the highest trading volume during the preceding two weeks, while for Plans C, D, E and F the price is the closing price of the share on an Indian stock exchange with the highest trading volume as of the working day preceding the date of grant.

Vesting conditions applicable to the options are at the discretion of the Compensation Committee. These options are exercisable on vesting, for a period as set forth by the Compensation Committee at the time of grant. The period in which options may be exercised cannot exceed five years. Modifications, if any, made to the terms and conditions of ESOPs as approved by the Compensation Committee are disclosed separately.

The erstwhile Centurion Bank of Punjab (‘eCBoP’) had granted stock options to its employees prior to its amalgamation with the Bank. The options were granted under the General ESOP Scheme framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time. The outstanding options granted by eCBoP and the grant price thereof were converted into equivalent HDFC Bank options and prices in the swap ratio of 1:29 i.e. 1 stock option of HDFC Bank for every 29 stock options granted and outstanding of eCBoP as on May 23, 2008, the effective date of the amalgamation, in accordance with Clause 9.9 of the scheme of amalgamation of eCBoP with the Bank. The vesting dates for the said stock options granted in various tranches were revised as per Clause 9.9 of the Scheme. The aforesaid stock options are exercisable within a period of 5 years from the date of vesting. Options granted under the General ESOP scheme were granted at the market price. The market price was the latest available closing price, prior to the date of meeting of the Board of Directors / Compensation Committee in which options were granted or shares were issued, on the stock exchange on which the shares of the Bank were listed. If the shares were listed on more than one stock exchange, then the stock exchange where there was highest trading volume on the said date was considered.

Method used for accounting for shared based payment plan

The Bank has elected to use intrinsic value method to account for the co mpensation cost of stock options to employees and whole time directors of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option.

Activity in the options outstanding under the Employee Stock Option Plans

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2014 :

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	65,443,045	417.32
Granted during the year	47,060,000	679.99
Exercised during the year	18,903,115	382.63
Forfeited / lapsed during the year	1,123,330	583.43
Options outstanding, end of year	92,476,600	556.06
Options exercisable	46,137,600	431.59

For the year ended March 31, 2014

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2013 :

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	99,872,740	389.52
Granted during the year	-	-
Exercised during the year*	33,459,050	333.87
Forfeited / lapsed during the year	970,645	433.59
Options outstanding, end of year	65,443,045	417.32
Options exercisable	56,752,845	409.46

**includes 728,290 options exercised, pending allotment of equity shares as of March 31, 2013.*

- Following table summarises the information about stock options outstanding as at March 31, 2014 :

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan B	-	-	-	-
Plan C	680.00	6,952,000	5.21	680.00
Plan D	225.29 to 680.00	13,643,900	2.94	490.62
Plan E	440.16 to 680.00	71,494,300	3.82	558.33
General ESOP	118.61 to 251.72	386,400	0.40	217.13

No options have been granted under Plan F during the year ended March 31, 2014

- Following table summarises the information about stock options outstanding as at March 31, 2013 :

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan B	198.97 to 219.74	614,500	0.53	203.50
Plan C	198.97 to 219.74	705,400	0.44	208.12
Plan D	219.74 to 340.96	12,058,100	1.39	285.60
Plan E	440.16 to 508.23	51,175,300	3.65	457.40
General ESOP	107.30 to 251.72	889,745	1.09	210.75

Fair Value methodology

The fair value of options used to compute proforma net income and earnings per equity share have been estimated on the dates of each grant using the binomial option-pricing model. The Bank estimates the volatility based on the historical share prices. 47,060,000 options were granted during the year ended March 31, 2014 (previous year : Nil). The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2014 were :

Particulars	March 31, 2014
Dividend yield	0.81% to 0.83%
Expected volatility	28.57% to 41.52%
Risk-free interest rate	8.21% to 9.08%
Expected life of the option	1 to 7 years

Impact of fair value method on net profit and earnings per share ('EPS')

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

(₹ crore)

Particulars	March 31, 2014	March 31, 2013
Net Profit (as reported)	8,478.38	6,726.28
Add : Stock-based employee compensation expense included in net income	-	-
Less : Stock based compensation expense determined under fair value based method (proforma)	561.32	431.62
Net Profit (proforma)	7,917.06	6,294.66
	(₹)	(₹)
Basic earnings per share (as reported)	35.47	28.49
Basic earnings per share (proforma)	33.12	26.66
Diluted earnings per share (as reported)	35.21	28.18
Diluted earnings per share (proforma)	32.88	26.37

HDFC Securities Limited

The Shareholders of the Company approved a stock option scheme (viz. ESOS–001) in February 2010 ("Company Options"). Under the terms of the scheme, the Company issues stock options to employees, whole time director, managing director and directors of the Company, each of which is convertible into one equity share.

Scheme ESOS-001 provides for the issuance of options at the recommendation of the Compensation Committee of the Board of Directors (the "Compensation Committee") at a price of ₹ 135/- per share, being the fair market value of the share arrived by a category 1 merchant banker.

Such options vest at definitive dates, save for specific incidents, prescribed in the scheme as framed / approved by the Compensation Committee. Such options are exercisable for a period following the vesting at the discretion of the Compensation Committee, subject to a maximum of two years from the date of vesting.

Method used for accounting for shared based payment plan

The Company uses the Intrinsic Value method to account for the compensation cost of stock options to employees of the Company.

Activity in the options outstanding under the Employee Stock Option Plan

- Activity in the options outstanding under the Employees Stock Option Plan as at March 31, 2014 :

Particulars	Company options	Weighted average exercise price (₹)
Options outstanding, beginning of year	122,900	135.00
Granted during the year	-	-
Exercised during the year	111,150	135.00
Forfeited during the year	600	-
Lapsed during the year	2,450	135.00
Options outstanding, end of year	8,700	135.00
Options Exercisable	8,700	135.00

For the year ended March 31, 2014

- Activity in the options outstanding under the Employees Stock Option Plan as at March 31, 2013 :

Particulars	Company options	Weighted average exercise price (₹)
Options outstanding, beginning of year	371,400	135.00
Granted during the year	-	-
Exercised during the year	234,225	135.00
Forfeited during the year	12,000	135.00
Lapsed during the year	2,275	135.00
Options outstanding, end of year	122,900	135.00
Options Exercisable	122,900	135.00

- Following table summarises the information about stock options outstanding as at March 31, 2014 :

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Company Options	135.00	8,700	0.89	135.00

- Following table summarises the information about stock options outstanding as at March 31, 2013 :

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Company Options	135.00	122,900	1.61	135.00

Fair Value methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the dates of each grant using the Black and Scholes model. The shares of the Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of the Company's stock price as an average of the historical volatility of similar listed enterprises for the purpose of calculating the fair value to reduce any company specific variations. The various assumptions considered in the pricing model for the stock options granted by the Company during the year ended 31 March, 2010 are :

Particulars	EWT options	Company options
Dividend yield	Nil	Nil
Expected volatility	73.56% to 79.04%	71.53% to 72.67%
Risk-free interest rate	6.53% to 8.19%	6.22% to 7.18%
Expected life of the option	0 - 2 years	0 - 5 years

Impact of fair value method on net profit and EPS

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

(₹ crore)

Particulars	March 31, 2014	March 31, 2013
Net Profit (as reported)	78.44	66.82
Add : Stock-based employee compensation expense included in net income	-	-
(Less) / Add : Stock-based compensation expense determined under fair value based method (proforma)	0.02	(0.25)
Net Profit (proforma)	78.46	66.57
	(₹)	(₹)
Basic and diluted earnings per share (as reported)	51.00	44.09
Basic and diluted earnings per share (proforma)	51.02	43.92

HDB Financial Services Limited

- In accordance with resolution approved by the shareholders, the company has reserved shares, for issue to employees through ESOP scheme. On the approval of compensation committee, each ESOP scheme is issued. The compensation committee has approved stock option schemes ESOS-4 in October, 2010 and ESOS-5 in July 27, 2011 and ESOS-6 in June 11, 2012 and ESOS-7 in July 19, 2013. Under the term of the schemes, the Company may issue stock options to employees and directors of the Company, each of which is convertible into one equity share.

- During the year, ESOS-7 was approved and granted for the issuance of options at the recommendation of the Compensation Committee of the Board at a price of ₹ 56 per share.

- Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed / approved by the Compensation Committee. Such options are exercisable for a period following vesting at the discretion of the Compensation Committee, subject to a maximum of two years from the date of vesting.

Method used for accounting for shared based payment plan

The Company uses intrinsic value to account for the compensation cost of stock options to employees of the Company.

Activity in the options outstanding under the Employee Stock Option Plans

- Activity in the options outstanding under the Employee Stock Option Plans as at March 31, 2014 :

Particulars	**Options**	**Weighted average exercise price (₹)**
Options outstanding, beginning of year	903,750	28.23
Granted during the year	1,645,000	56.00
Exercised during the year	293,000	24.66
Forfeited / lapsed during the year	104,050	44.36
Options outstanding, end of year	2,151,700	49.17

- Activity in the options outstanding under the Employee Stock Option Plans as at March 31, 2013 :

Particulars	**Options**	**Weighted average exercise price (₹)**
Options outstanding, beginning of year	422,900	19.89
Granted during the year	691,000	31.00
Exercised during the year	160,150	18.59
Forfeited / lapsed during the year	50,000	26.85
Options outstanding, end of year	903,750	28.23

- Following table summarises the information about stock options outstanding as at March 31, 2014 :

Plan	**Range of exercise price (₹)**	**Number of shares arising out of options**	**Weighted average remaining contractual life of options (in years)**	**Weighted average exercise price (₹)**	**Vesting Conditions**
ESOS - 4	17.50	22,800	1.42	17.50	3 years service
ESOS - 5	25.00	50,800	2.44	25.00	3 years service
ESOS - 6	31.00	490,100	2.91	31.00	3 years service
ESOS - 7	56.00	1,588,000	3.10	56.00	2 years service

For the year ended March 31, 2014

- Following table summarises the information about stock options outstanding as at March 31, 2013 :

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)	Vesting Conditions
ESOS - 4	17.50	147,100	2.34	17.50	3 years service
ESOS - 5	25.00	86,650	3.02	25.00	3 years service
ESOS - 6	31.00	670,000	3.60	31.00	3 years service

Fair Value methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of the Company's stock price as zero, since historical volatility of similar listed enterprise was not available. The various assumptions considered in the pricing model for the stock options granted by the Company during the year ended 31 March 2014 are :

Particulars	March 31, 2014	March 31, 2013
Dividend yield	Nil	Nil
Expected volatility	35-60%	35-60%
Risk-free interest rate	7-8%	8-9%
Expected life of the option	2-4 years	3-5 years

Impact of fair value method on net profit and EPS

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

(₹ crore)

Particulars	March 31, 2014	March 31, 2013
Net Profit (as reported)	209.26	102.45
Add : Stock-based employee compensation expense included in net income	-	-
Less : Stock-based compensation expense determined under fair value based method (proforma)	1.26	0.42
Net Profit (proforma)	208.00	102.03
Basic earnings per share (as reported)	4.32	2.49
Basic earnings per share (proforma)	4.29	2.48
Diluted earnings per share (as reported)	4.32	2.49
Diluted earnings per share (proforma)	4.29	2.48

Impact of fair value method on net profit and EPS of the Group

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

(₹ crore)

Particulars	March 31, 2014	March 31, 2013
Net Profit (as reported)	8,743.49	6,869.64
Less : Stock-based compensation expense determined under fair value based method (proforma)	562.56	432.29
Net Profit (proforma)	8,180.93	6,437.35
	(₹)	(₹)
Basic earnings per share (as reported)	36.58	29.10
Basic earnings per share (proforma)	34.23	27.27
Diluted earnings per share (as reported)	36.31	28.78
Diluted earnings per share (proforma)	33.97	26.97

For the year ended March 31, 2014

5. Other liabilities

- The Bank has presented gross unrealised gain on foreign exchange and derivative contracts under other assets and gross unrealised loss on foreign exchange and derivative contracts under other liabilities. Accordingly, other liabilities as on March 31, 2014 include unrealised loss on foreign exchange and derivative contracts of ₹ 12,609.15 crore (previous year : ₹ 7,036.66 crore).

- No share application monies were outstanding as on March 31, 2014. As of March 31, 2013 'Other liabilities' include share application monies of ₹ 22.15 crore, received on exercise of employee stock options pending allotment of equity shares, which were subsequently allotted on April 4, 2013.

6. Investments

- Investments include securities of Face Value (FV) aggregating ₹ 1,845.00 crore (previous year : FV ₹ 1,745.00 crore) which are kept as margin for clearing of securities, of FV ₹ 5,693.30 crore (previous year : FV ₹ 12,100.00 crore) which are kept as margin for Collateralised Borrowing and Lending Obligation (CBLO) and of FV aggregating ₹ 120.35 crore (previous year : FV ₹ 40.00 crore) which are kept as margin for Forex Forward segment - Default Fund with the Clearing Corporation of India Ltd.

- Investments include securities of FV aggregating ₹ 16.00 crore (previous year : FV ₹ 6.00 crore) which are kept as margin with National Securities Clearing Corporation of India Ltd. ('NSCCIL'), of FV aggregating ₹ 13.00 crore (previous year : FV ₹ 5.00 crore) which are kept as margin with MCX - SX Clearing Corporation Ltd., of FV aggregating ₹ 0.30 crore (previous year : FV ₹ 0.30 crore) which are kept as margin with United Stock Exchange for transacting in the currency derivative segment and of FV aggregating ₹ 2.00 crore (previous year : Nil) which are kept as margin with Indian Clearing Corporation Limited in the BSE currency derivatives segment.

- Investments having FV aggregating ₹ 35,013.64 crore (previous year : FV ₹ 29,376.69 crore) are kept as margin towards Real Time Gross Settlement (RTGS) and those having FV aggregating ₹ 26,139.39 crore (previous year : ₹ 38,188.32 crore) are kept as margin towards liquidity adjustment facility with the RBI.

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

7. Other Fixed Assets (including furniture and fixtures)

Other fixed assets includes amount capitalised relating to software, website cost and Bombay stock exchange card. Details regarding the same are as follows : **(₹ crore)**

Particulars		2014	2013
Cost			
As at March 31 of the previous year		1,120.92	854.83
Additions during the year		190.60	266.10
Deductions during the year		-	(0.01)
	Total (a)	**1,311.52**	**1,120.92**
Depreciation			
As at March 31 of the previous year		732.95	584.14
Charge for the year		148.30	148.82
On deductions during the year		-	(0.01)
	Total (b)	881.25	732.95
Net value as at March 31	**(a-b)**	**430.27**	**387.97**

For the year ended March 31, 2014

8. Other Assets

- Other Assets include deferred tax asset (net) of ₹ 1,918.56 crore (previous year : ₹ 1,913.06 crore). The break-up of the same is as follows : **(₹ crore)**

Particulars		March 31, 2014	March 31, 2013
Deferred tax asset arising out of :			
Loan loss provisions		1,513.97	1,458.44
Employee Benefits		122.87	120.04
Others		340.74	392.15
	Total (a)	**1,977.58**	**1,970.63**
Deferred tax liability arising out of :			
Depreciation		(59.02)	(57.57)
	Total (b)	**(59.02)**	**(57.57)**
Deferred tax asset (net)	**(a-b)**	**1,918.56**	**1,913.06**

- Other Assets includes deposits of ₹ 2.11 crore (previous year : ₹ 2.11 crore) maintained by HDFC Securities Limited with the Stock Exchange.

9. Provisions, contingent liabilities and contingent assets

Given below is the movement in provisions and a brief description of the nature of contingent liabilities recognised by the Bank.

a) Provision for credit card and debit card reward points **(₹ crore)**

Particulars	March 31, 2014	March 31, 2013
Opening provision for reward points	130.07	85.80
Provision for reward points made during the year	100.89	109.35
Utilisation / write back of provision for reward points	(57.72)	(62.65)
Effect of change in rate for accrual of reward points	(22.33)	14.11
Effect of change in cost of reward points	-	(16.54)
Closing provision for reward points	150.91	130.07

b) Provision for legal and other contingencies **(₹ crore)**

Particulars	March 31, 2014	March 31, 2013
Opening provision	312.66	286.03
Movement during the year (net)	39.95	26.63
Closing provision	352.61	312.66

c) **Description of contingent liabilities**

S. No.	Contingent liability*	Brief description
1	Claims against the Group not acknowledged as debts-taxation	The Group is a party to various taxation matters in respect of which appeals are pending. The Group expects the outcome of the appeals to be favorable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and the provisions of Income Tax Act, 1961.
2	Claims against the Group not acknowledged as debts-others	The Group is a party to various legal proceedings in the normal course of business. The Group does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, results of operations or cash flows.
3	Liability on account of forward exchange and derivative contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts of financial instruments such as foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the Balance Sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms.
4	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the Bank's customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
5	Other items for which the Group is contingently liable	These include : a) Credit enhancements in respect of securitised-out loans; b) Bills rediscounted by the Bank; c) Capital commitments; d) Underwriting commitments

**Also refer Schedule 12 - Contingent Liabilities*

10. Commission, exchange and brokerage income

Commission, exchange and brokerage income is net of correspondent bank charges.

11. Provisions and Contingencies

The break-up of 'Provisions and Contingencies' included in the Statement of Profit and Loss is given below :

(₹ crore)

Particulars		March 31, 2014	March 31, 2013
Provision for income tax	- Current	4,446.06	3,373.58
	- Deferred	0.09	(269.85)
Provision for wealth tax		0.77	0.61
Provision for NPAs		1,730.52	1,261.38
Provision for diminution in value of non performing investments		(4.12)	53.73
Provision for standard assets		234.35	133.96
Other provisions and contingencies*		(234.78)	292.93
Total		**6,172.89**	**4,846.34**

**Includes (write-back) / provisions for tax, legal and other contingencies ₹ (265.30) crore (previous year : ₹ (133.22) crore), floating provisions ₹ 57.67 crore (previous year : ₹ 426.67 crore), provisions for securitised-out assets ₹ (26.21) crore (previous year : ₹ 5.92 crore) and standard restructured assets ₹ (0.94) crore (previous year : ₹ (6.44) crore).*

For the year ended March 31, 2014

12. Employee benefits

Gratuity (₹ crore)

Particulars	March 31, 2014	March 31, 2013
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	**209.82**	**168.60**
Interest cost	18.17	13.25
Current service cost	40.17	39.56
Benefits paid	(15.62)	(11.89)
Actuarial (gain) / loss on obligation :		
Experience adjustment	6.30	2.61
Assumption change	(16.13)	(2.31)
Present value of obligation as at March 31	**242.71**	**209.82**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	132.60	93.32
Expected return on plan assets	12.33	9.02
Contributions	45.06	40.15
Benefits paid	(15.61)	(11.89)
Actuarial gain / (loss) on plan assets :		
Experience adjustment	1.82	2.00
Assumption change	-	-
Fair value of plan assets as at March 31	**176.20**	**132.60**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	176.20	132.60
Present value of obligation as at March 31	242.71	209.82
Asset / (liability) as at March 31	**(66.51)**	**(77.22)**
Expenses recognised in Statement of Profit and Loss		
Interest cost	18.17	13.25
Current service cost	40.17	39.56
Expected return on plan assets	(12.33)	(9.02)
Net actuarial (gain) / loss recognised in the year	(11.65)	(1.69)
Net Cost	**34.36**	**42.10**
Actual return on plan assets	14.14	11.02
Estimated contribution for the next year	50.10	32.08
Assumptions (HDFC Bank Limited)		
Discount rate	9.0% per annum	8.1% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	8.5% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	9.0% per annum	8.0% per annum
Expected return on plan assets	8.7% per annum	8.6% per annum
Salary escalation rate	7.0% per annum	6.0% per annum
Assumptions (HDB Financial Services Limited)		
Discount rate	8.8% per annum	8.0% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate :		
General	5.0% per annum	5.0% per annum
Others	5.0% per annum	5.0% per annum

For the year ended March 31, 2014

Experience adjustment (₹ crore)

Particulars	Years ended March 31,				
	2014	2013	2012	2011	2010
Plan assets	176.20	132.60	93.32	66.51	52.24
Defined benefit obligation	242.71	209.82	168.60	137.63	100.10
Surplus / (deficit)	(66.51)	(77.22)	(75.28)	(71.12)	(47.86)
Experience adjustment gain / (loss) on plan assets	1.82	2.00	(0.95)	-	7.42
Experience adjustment (gain) / loss on plan liabilities	6.30	2.61	1.22	9.94	(5.05)

Expected rate of return on investments is determined based on the assessment made by the Group at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as of March 31, 2014 are given below :

Category of Plan Assets	HDFC Bank Limited	HDFC Securities Limited	HDB Financial Services Limited
Government securities	26.0%	32.0%	7.0%
Debenture and bonds	32.9%	52.0%	82.7%
Equity shares	32.3%	9.0%	-
Others	8.8%	7.0%	10.3%
Total	**100.0%**	**100.0%**	**100.0%**

Pension (₹ crore)

Particulars	March 31, 2014	March 31, 2013
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	58.19	56.85
Interest cost	4.84	4.18
Current service cost	0.77	1.32
Benefits paid	(8.88)	(11.09)
Actuarial (gain) / loss on obligation :		
Experience adjustment	3.62	6.12
Assumption change	0.35	0.81
Present value of obligation as at March 31	**58.89**	**58.19**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	48.88	51.14
Expected return on plan assets	3.87	4.00
Contributions	0.67	6.41
Benefits paid	(8.88)	(11.09)
Actuarial gain / (loss) on plan assets :		
Experience adjustment	3.45	(1.58)

Particulars	March 31, 2014	March 31, 2013
Assumption change	-	-
Fair value of plan assets as at March 31	**47.99**	**48.88**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	47.99	48.88
Present value of obligation as at March 31	(58.89)	(58.19)
Asset / (liability) as at March 31	(10.90)	(9.31)
Expenses recognised in Statement of Profit and Loss		
Interest cost	4.84	4.18
Current service cost	0.77	1.32
Expected return on plan assets	(3.87)	(4.00)
Net actuarial (gain) / loss recognised in the year	0.51	8.51
Net cost	**2.25**	**10.01**
Actual return on plan assets	7.33	2.42
Estimated contribution for the next year	9.30	9.48
Assumptions		
Discount rate	9.0% per annum	8.1% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	8.5% per annum

Experience adjustment **(₹ crore)**

Particulars	Years ended March 31,				
	2014	2013	2012	2011	2010
Plan assets	47.99	48.88	51.14	43.35	38.78
Defined benefit obligation	58.89	58.19	56.85	57.38	40.70
Surplus / (deficit)	(10.90)	(9.31)	(5.71)	(14.03)	(1.92)
Experience adjustment gain / (loss) on plan assets	3.45	(1.58)	(1.29)	2.85	2.78
Experience adjustment (gain) / loss on plan liabilities	3.62	6.12	1.36	18.50	2.12

Expected rate of return on investments is determined based on the assessment made by the Bank at the beginning of the year with regard to its existing portfolio. Major categories of plan assets as a percentage of fair value of total plan assets as of March 31, 2014 are given below :

Category of Plan Assets	% of fair value to total plan assets
Government securities	6.3%
Debenture and bonds	67.4%
Others	26.3%
Total	**100.0%**

Provident Fund

The guidance note on AS-15, Employee Benefits, states that employer established provident funds, where interest is guaranteed are to be considered as defined benefit plans and the liability has to be valued. The Actuary Society of India (ASI) has issued a guidance note on valuation of interest rate guarantees on exempt provident funds. The actuary has accordingly valued the same and the Bank holds a provision of ₹ 0.52 crore as on March 31, 2014 (previous year : ₹ 9.57 crore) towards the present value of the guaranteed interest benefit obligation. The actuary has followed Deterministic approach as prescribed by the guidance note.

Assumptions :

Particulars	March 31, 2014	March 31, 2013
Discount rate (GOI security yield)	8.9% per annum	8.0% per annum
Expected guaranteed interest rate	9.0% per annum	8.6% per annum

The Bank does not have any unfunded defined benefit plan. The Bank contributed ₹ 153.11 crore (previous year : ₹ 129.54 crore) to the provident fund and ₹ 43.22 crore (previous year : ₹ 37.33 crore) to the superannuation plan.

Compensated absences

The actuarial liability of compensated absences of accumulated privileged and sick leaves of the employees of the Group as of March 31, 2014 is given below : **(₹ crore)**

Particulars	March 31, 2014	March 31, 2013
Privileged leave	216.04	213.83
Sick leave	45.60	40.83
Total actuarial liability	261.64	254.66
Assumptions (HDFC Bank Limited)		
Discount rate	9.0% per annum	8.1% per annum
Salary escalation rate	8.5% per annum	8.5% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	9.0% per annum	8.0% per annum
Salary escalation rate	7.0% per annum	6.0% per annum
Assumptions (HDB Financial Services Limited)		
Discount rate	8.8% per annum	8.0% per annum
Salary escalation rate :		
General staff	5.0% per annum	5.0% per annum
Others	5.0% per annum	5.0% per annum

13. Segment Reporting

Business Segments

Business Segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by RBI. The Group operates in the following segments :

(a) Treasury

The treasury segment primarily consists of net interest earnings from the Bank's 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 of the Bank provides loans, non-fund facilities and transaction services to large corporates, emerging corporates, public sector units, government bodies, financial institutions and medium scale enterprises. Revenues of the wholesale banking segment consist of interest earned on loans made to customers, interest / fees earned on the cash float arising from transaction services, earnings from trade services and other non-fund facilities and also earnings from foreign exchange and derivative transactions on behalf of customers. The principal expenses of the segment consist of interest expense on funds borrowed from external sources and other internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, specialist product groups, processing units and support groups.

(d) Other banking business

This segment includes income from para banking activities such as credit cards, debit cards, third party product distribution, primary dealership business and the associated costs. This segment also includes Bank’s subsidiaries viz. HDFC Securities Limited, HDB Financial Services Limited and HDB Employee Welfare Trust.

(e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes capital and reserves, debt classified as Tier I or Tier II capital and other unallocable assets and liabilities such 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.

For the year ended March 31, 2014

Segment reporting for the year ended March 31, 2014 is given below :

Business segments : (₹ crore)

S. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	11,786.70	40,804.86	19,645.34	6,830.88	79,067.78
2	Unallocated revenue					2.59
3	Less : Inter-segment revenue					28,217.85
4	Income from operations (1) + (2) - (3)					50,852.52
5	Segment results	412.30	5,685.41	5,940.11	2,359.05	14,396.87
6	Unallocated expenses					1,186.20
7	Income tax expense (including deferred tax)					4,446.16
8	Net profit (5) - (6) - (7) (net profit before minority interest and earnings from associates)					8,764.51
9	Segment assets	160,537.01	169,135.07	143,652.82	26,323.10	499,648.00
10	Unallocated assets					3,971.96
11	Total assets (9) + (10)					503,619.96
12	Segment liabilities	38,125.60	298,225.26	90,597.43	12,918.58	439,866.87
13	Unallocated liabilities					19,434.72
14	Total liabilities (12) + (13)					459,301.59
15	Capital employed (9) - (12)	122,411.41	(129,090.19)	53,055.39	13,404.52	59,781.13
16	Unallocated (10) - (13)					(15,462.76)
17	Total (15) + (16)					44,318.37
18	Capital expenditure	3.16	860.96	21.75	65.76	951.63
19	Depreciation	6.70	531.85	90.93	59.20	688.68

Geographic segments : (₹ crore)

Particulars	Domestic	International
Revenue	50,101.53	750.99
Assets	473,829.61	29,790.35
Capital expenditure	950.94	0.69

Segment reporting for the year ended March 31, 2013 is given below :

Business segments : (₹ crore)

S. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	9,711.02	34,919.65	17,633.82	4,979.06	67,243.55
2	Unallocated revenue					112.77
3	Less : Inter-segment revenue					24,362.33

S. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
4	Income from operations (1) + (2) - (3)					42,993.99
5	Segment results	225.00	4,424.15	4,751.96	1,817.51	11,218.62
6	Unallocated expenses					1,214.61
7	Income tax expense (including deferred tax)					3,103.73
8	Net profit (5) - (6) - (7) (net profit before minority interest and earnings from associates)					6,900.28
9	Segment assets	139,459.18	138,001.73	107,109.05	18,689.65	403,259.61
10	Unallocated assets					4,463.38
11	Total assets (9) + (10)					407,722.99
12	Segment liabilities	24,652.79	234,968.21	82,810.62	7,757.43	350,189.05
13	Unallocated liabilities					20,669.88
14	Total liabilities (12) + (13)					370,858.93
15	Capital employed (9) - (12)	114,806.39	(96,966.48)	24,298.43	10,932.22	53,070.56
16	Unallocated (10) - (13)					(16,206.50)
17	Total (15) + (16)					36,864.06
18	Capital expenditure	100.80	629.46	165.92	168.36	1,064.54
19	Depreciation	52.20	426.34	94.44	90.28	663.26

Geographic segments : **(₹ crore)**

Particulars	Domestic	International
Revenue	42,605.93	388.06
Assets	393,455.70	14,267.29
Capital expenditure	1,064.13	0.41

14. Related party disclosures

As per AS-18, Related Party Disclosure, the Bank's related parties are disclosed below :

Promoter

Housing Development Finance Corporation Limited

Enterprises under common control of the promoter

- HDFC Asset Management Company Limited
- HDFC Developers Limited
- HDFC Investments Limited
- GRUH Finance Limited
- HDFC ERGO General Insurance Company Limited
- HDFC Ventures Trustee Company Limited
- Griha Investments
- HDFC Education and Development Services Private Limited
- HDFC Standard Life Insurance Company Limited
- HDFC Holdings Limited
- HDFC Trustee Company Limited
- HDFC Realty Limited
- HDFC Venture Capital Limited
- HDFC Sales Private Limited
- Credila Financial Services Private Limited
- HDFC Investments Trust

- HDFC Property Ventures Limited
- HDFC Life Pension Fund Management Company Limited
- Grandeur Properties Private Limited
- Pentagram Properties Private Limited
- Haddock Properties Private Limited
- Griha Pte Limited
- H T Parekh Foundation
- Windermere Properties Private Limited
- Winchester Properties Private Limited

Associates

Atlas Documentary Facilitators Company Private Limited

HBL Global Private Limited

International Asset Reconstruction Company Private Limited

Key management personnel

Aditya Puri, Managing Director

Paresh Sukthankar, Deputy Managing Director

Harish Engineer, Executive Director (retired from the services of the Bank effective September 30, 2013)

Kaizad Bharucha, Executive Director (appointed with effect from December 24, 2013)

Related parties to key management personnel

Salisbury Investments Private Limited, Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad, Sudha Engineer, Shreematiben Engineer, Nikhil Engineer, Uma Engineer, Mahesh Engineer, Havovi Bharucha, Huzaan Bharucha, Danesh Bharucha, Daraius Bharucha.

In accordance with paragraph 5 of AS-18, the Bank has not disclosed certain transactions with relatives of Key Management Personnel as they are in the nature of banker-customer relationship.

The significant transactions between the Bank and related parties for year ended March 31, 2014 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of all related party transactions in that category :

- Interest paid : Housing Development Finance Corporation Limited ₹ 8.83 crore (previous year : ₹ 9.79 crore); HDFC Standard Life Insurance Company Limited ₹ 8.23 crore (previous year : ₹ 1.10 crore); Atlas Documentary Facilitators Company Private Limited ₹ 4.15 crore (previous year : ₹ 4.08 crore).
- Rendering of services : HDFC Standard Life Insurance Company Limited ₹ 340.90 crore (previous year : ₹ 472.33 crore); Housing Development Finance Corporation Limited ₹ 130.81 crore (previous year : ₹ 139.59 crore); HDFC ERGO General Insurance Company Limited ₹ 117.40 crore (previous year : ₹ 126.31 crore); HDFC Asset Management Company Limited ₹ 75.19 crore (previous year : ₹ 68.41 crore).
- Receiving of services : HBL Global Private Limited ₹ 492.75 crore (previous year : ₹ 464.56 crore); Atlas Documentary Facilitators Company Private Limited ₹ 430.00 crore (previous year : ₹ 393.48 crore).
- Dividend paid : Housing Development Finance Corporation Limited ₹ 216.27 crore (previous year : ₹ 169.08 crore); HDFC Investments Limited ₹ 82.50 crore (previous year : ₹ 64.50 crore).

For the year ended March 31, 2014

The Group's related party balances and transactions for the year ended March 31, 2014 are summarized as follows :

(₹ crore)

Items / related party	Promoter	Enterprises under common control of the promoter	Associates	Key management personnel	Total
Deposits taken	5,494.84 (5,494.84)	676.99 (720.78)	85.12 (85.21)	10.25 (14.13)	6,267.20 (6,314.96)
Deposits placed	0.15 (0.15)	3.86 (3.86)	33.45 (38.45)	2.30 (2.30)	39.76 (44.76)
Advances given	- -	0.05 (0.08)	44.40 (44.70)	0.94 (0.94)	45.39 (45.72)
Fixed assets purchased from	-	-	0.01	-	0.01
Fixed assets sold to	-	-	-	0.01	0.01
Interest paid to	8.83	19.18	4.25	0.73	32.99
Interest received from	-	8.24	0.86	0.02	9.12
Income from services rendered to	130.81	534.97	25.89	-	691.67
Expenses for receiving services from	85.71	168.00	922.75	0.50	1,176.96
Equity investments	- -	- -	31.19 (31.19)	- -	31.19 (31.19)
Other investments	- -	189.14 (189.14)	39.72 (39.72)	- -	228.86 (228.86)
Dividend paid to	216.27	91.69	-	1.71	309.67
Dividend received from	-	-	0.01	-	0.01
Receivable from	12.49 (12.49)	63.99 (87.34)	- -	- -	76.48 (99.83)
Payable to	14.32 (14.32)	- -	23.05 (90.67)	- -	37.37 (104.99)
Guarantees given	0.11 (0.11)	0.04 (0.04)	- -	- -	0.15 (0.15)
Remuneration paid	-	-	-	11.08	11.08
Loans purchased from	5,556.07	-	-	-	5,556.07
NPAs sold to	-	-	6.42	-	6.42

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Remuneration paid excludes value of employee stock options exercised during the year.

The Bank being an authorised dealer, deals in foreign exchange and derivative transactions with certain parties which includes the promoter and related group companies. The foreign exchange and derivative transactions are undertaken in line with the RBI guidelines. The notional principal amount of foreign exchange and derivative contracts transacted with the promoter that were outstanding as on March 31, 2014 is ₹ 250.00 crore (previous year : ₹ 250.00 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is ₹ 8.82 crore (previous year : ₹ 7.42 crore).

During the year ended March 31, 2014, the Bank purchased securities from Credila Financial Services Private Limited ₹ 236.56 crore (previous year : Nil). During the year ended March 31, 2013, the Bank had also purchased securities from HDFC Standard Life Insurance Company Limited ₹ 294.24 crore. During the year ended March 31, 2014, the Bank sold securities to HDFC Standard Life Insurance Company Limited with book values aggregating ₹ 336.88 crore (previous year : ₹ 650.02 crore), to HDFC ERGO General Insurance Company Limited ₹ 24.86 crore (previous year : ₹ 217.16 crore). During the year ended March 31, 2014, the Bank redeemed securities of Credila Financial Services Private Limited ₹ 50.00 crore (previous year : Nil). During the year ended March 31, 2013, the Bank had also sold securities to Key Management Personnel ₹ 5.26 crore.

For the year ended March 31, 2014

As of March 31, 2014, investment of HDFC Standard Life Insurance Company Limited in the Bank's tier II bonds amounted to ₹ 85.00 crore (previous year : ₹ 61.00 crore) and that of HDFC ERGO General Insurance Company Limited amounted to ₹ 5.00 crore (previous year : ₹ 5.00 crore).

During the year ended March 31, 2014, the Bank paid rent of ₹ 0.66 crore (previous year : ₹ 0.66 crore) to parties related to the Bank's key management personnel in relation to residential accommodation. As at March 31, 2014, the security deposit outstanding was ₹ 3.50 crore (previous year : ₹ 4.28 crore).

The Group's related party balances and transactions for the year ended March 31, 2013, are summarized as follows :

(₹ crore)

Items / related party	Promoter	Enterprises under common control of the promoter	Associates	Key management personnel	Total
Deposits taken	1,985.17 (3,193.25)	566.11 (729.10)	44.13 (48.97)	5.67 (6.61)	2,601.08 (3,977.93)
Deposits placed	0.15 (0.15)	- -	38.45 (38.45)	2.22 (2.22)	40.82 (40.82)
Advances given	- -	- -	7.98 (17.93)	0.73 (0.73)	8.71 (18.66)
Fixed assets purchased from	-	-	-	-	-
Fixed assets sold to	-	-	-	-	-
Interest paid to	9.79	12.77	4.12	0.41	27.09
Interest received from	-	-	1.87	0.04	1.91
Income from services rendered to	139.59	668.68	20.95	-	829.22
Expenses for receiving services from	47.94	111.07	858.04	0.60	1,017.65
Equity investments	- -	- -	31.19 (31.19)	- -	31.19 (31.19)
Other investments	- -	- -	15.67 (21.31)	- -	15.67 (21.31)
Dividend paid to	169.08	68.83	-	1.15	239.06
Dividend received from	-	-	0.01	-	0.01
Receivable from	13.97 (13.97)	101.74 (101.74)	2.42 (2.42)	- -	118.13 (118.13)
Payable to	- (8.12)	- -	66.87 (107.23)	- -	66.87 (115.35)
Guarantees given	0.10 (0.10)	0.13 (0.13)	- -	- -	0.23 (0.23)
Remuneration paid	-	-	-	11.95	11.95
Loans purchased from	5,164.40	-	-	-	5,164.40

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Remuneration paid excludes value of employee stock options exercised during the year.

15. Leases

Operating leases primarily comprise office premises, staff residences and Automated Teller Machines (ATMs), which are renewable at the option of the Bank. The details of maturity profile of future operating lease payments are given below :

(₹ crore)

Particulars	March 31, 2014	March 31, 2013
Not later than one year	697.83	624.40
Later than one year and not later than five years	2,351.28	2,131.55
Later than five years	1,271.06	1,033.55
Total	**4,320.17**	**3,789.50**

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Particulars	March 31, 2014	March 31, 2013
The total of minimum lease payments recognised in the Statement of Profit and Loss for the year	780.73	712.52
Total of future minimum sub-lease payments expected to be received under non-cancellable subleases	74.78	64.30
Sub-lease amounts recognised in the Statement of Profit and Loss for the year	29.70	24.22
Contingent (usage based) lease payments recognised in the Statement of Profit and Loss for the year	133.29	105.55

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

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

16. Penalties levied by the RBI

During the year ended March 31, 2014, the RBI imposed a penalty of ₹ 4.50 crore on the Bank for certain irregularities and violations discovered by the RBI, viz., non-observance of certain safeguards in respect of arrangement of "at par" payment of cheques drawn by cooperative banks, exceptions in periodic review of risk profiling of account holders, non-adherence to KYC rules for walk-in customers (non-customers) including for sale of third party products, sale of gold coins for cash in excess of ₹ 50,000 in certain cases and non-submission of proper information required by the RBI.

17. Small and micro industries

HDFC Bank Limited

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments.

HDFC Securities Limited

On the basis of the information available with the Company and the intimation received from 'suppliers' regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 there are seven (previous year - twelve) suppliers registered under the said Act and there are no amounts unpaid, to the said suppliers, as at the year end and no interest is paid or considered payable.

HDB Financial Services Limited

As per the confirmation received from the suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006, the amount unpaid as at March 31, 2014 was Nil. During the previous year the amount unpaid was Nil.

18. Additional disclosure

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiaries have no material bearing on the true and fair view of the consolidated financial statements and the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements.

19. Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

As per our report of even date.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W

Akeel Master
Partner
Membership No.: 046768

Mumbai, April 22, 2014

For and on behalf of the Board

C. M. Vasudev
Chairman

Paresh Sukthankar
Deputy Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Aditya Puri
Managing Director

Kaizad Bharucha
Executive Director

Sashidhar Jagdishan
Chief Financial Officer

Bobby Parikh
Partho Datta
Pandit Palande
Vijay Merchant
Keki Mistry
Renu Karnad
Directors

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Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies

(In terms of the direction u/s 212(8) of the Companies Act, 1956 issued by the Ministry of Corporate Affairs vide General Circular no. 2/2011 dated February 8, 2012

(As on / for the year ended March 31, 2014) **(₹ crore)**

Name of the subsidiary	HDFC Securities Ltd.	HDB Financial Services Ltd.
Capital	15.48	513.75
Reserves & Surplus	426.69	1,114.75
Total Assets	858.75	13,689.40
Total Liabilities	416.58	12,060.90
(excluding capital & reserves)		
Investments	85.84	2.34
Turnover (total income)	263.12	1,688.27
Profit before Taxation	121.18	318.07
Provision for taxation	42.74	108.83
Profit after Taxation	78.44	209.24
Proposed Dividend including tax thereon	9.05	0.00

Independent Auditor's Certificate on Corporate Governance

To The Members of

HDFC Bank Limited

We have examined the compliance of conditions of corporate governance by HDFC Bank Limited ('the Bank') for the year ended 31 March 2014, as stipulated in Clause 49 of the Listing Agreement of the Bank with The BSE Limited ('BSE') and The National Stock Exchange of India Limited ('NSE') (together referred to as the 'Stock Exchanges'). The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Bank for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

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

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

This certificate is issued solely for the purposes of complying with the aforesaid Regulations and may not be suitable for any other purpose.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W

Akeel Master
Partner
Membership No: 046768

Mumbai
22 April 2014

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[Report on Corporate Governance pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges 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 recognised 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 maximisation 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 spirit.

BOARD OF DIRECTORS

The composition of the Board of Directors of the Bank ("Board") is governed by the provisions of the Companies Act, 1956, 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 eleven (11) Directors as on March 31, 2014. All Directors, other than Mr. Aditya Puri, Mr. Paresh Sukthankar and Mr. Kaizad Bharucha, are non-executive directors. The Bank has six (6) independent directors and five (5) non-independent directors.

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. As required by the listing agreement all the Directors have made necessary disclosures regarding Committee positions occupied by them in other companies.

Mr. Keki Mistry, Mrs. Renu Karnad, Mr. Aditya Puri, Mr. Paresh Sukthankar and Mr. Kaizad Bharucha are non independent Directors on the Board.

Mr. C. M. Vasudev, Dr. Pandit Palande, Mr. Partho Datta, Mr. Bobby Parikh, Mr. A. N. Roy and Mr. Vijay Merchant are independent directors on the Board.

Mr. Keki Mistry and Mrs. Renu Karnad represent Housing Development Finance Corporation Limited (HDFC) on the Board of the Bank.

None of the directors are related to each other.

COMPOSITION AND PROFILE OF THE BOARD OF DIRECTORS

The composition and profile of the Directors of the Bank as on March 31, 2014 is as under :

Mr. C. M. Vasudev

Mr. C. M. Vasudev holds a Master's Degree in Economics and Physics. Mr. Vasudev joined the Indian Administrative Services in 1966. Mr. Vasudev has worked as an Executive Director of World Bank representing India, Bangladesh, Sri Lanka and Bhutan. Mr. Vasudev has extensive experience of working at policy making levels in the financial sector and was responsible for laying down policies and oversight of management at World Bank. Mr. Vasudev chaired the World Bank's Committee on development effectiveness with responsibility of ensuring effectiveness of World Bank's operations and has also worked as a consultant to the World Bank and UNDP on various development policy issues.

Mr. Vasudev has also worked as Secretary, Ministry of Finance for more than 8 years and has undertaken various assignments, viz. Secretary, Department of Economic Affairs, Department of Expenditure, Department of Banking and Additional Secretary, Budget with responsibility for framing the fiscal policies and policies for economic reforms and for co-ordinating preparation of budgets of the Government of India and monitoring its implementation. Mr. Vasudev was also the Principal Secretary, Finance of the Government of Uttar Pradesh. Mr. Vasudev has previously been appointed as a Government nominee Director on the Board of Directors of many companies in the financial sector including State Bank of India, IDBI, ICICI, IDFC, NABARD, National Housing Bank and also on the Central Board of the Reserve Bank of India. Mr. Vasudev was also a member secretary of the Narasimham Committee on financial sector reforms and chaired a Committee on reforms of the NBFC sector. Mr. Vasudev has worked as Joint Secretary of Ministry of Commerce with responsibility for state trading, trade policy including interface with WTO.

Mr. Vasudev is Director on the boards of ICRA Management Consulting Services Limited, Star Paper Mills Limited, Power Exchange India Limited, National Securities Depository Limited (NSDL), Uttarakhand Jal Vidyut Nigam Limited, Bedrock Ventures Private Limited, Centennial Development Advisory Services India Private Limited, Skills Academy Private Limited, National Securities Clearing Corporation Limited, NSDL Database Management Limited and NSDL e-Governance Infrastructure Limited. Mr. Vasudev is a member of the Audit Committee and the Chairman of Remuneration Committee of ICRA Management Consultancy Services Limited, Chairman of Risk Management Committee and member of Audit Committee of Power Exchange India Limited, Member of Audit Committee of Star Paper Mills Limited, NSDL, NSDL e-Governance Infrastructure Limited and NSDL Database Management Limited, Chairman of Nomination Committee of NSDL and Chairman of Audit Committee, Ethics Committee and Compensation Committee of the National Securities Clearing Corporation Limited.

Mr. Vasudev does not hold any equity shares in the Bank as on March 31, 2014.

Mr. Aditya Puri

Mr. Aditya Puri 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 nearly 40 years 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. 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 is not on the Board of Directors of any other company.

Mr. Puri holds 22,94,044 equity shares in the Bank as on March 31, 2014.

Mr. Keki Mistry

Mr. Keki Mistry has obtained 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 started his career with The Indian Hotels Company Limited, one of the largest chain of hotels in India.

In the year 1981, Mr. Mistry joined Housing Development Finance Corporation Limited (HDFC). Mr. Mistry was inducted on to the Board of Directors of HDFC 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 and became the Vice Chairman & CEO in January 2010. Mr. Mistry is a Director on the Board of Directors of HDFC, HDFC Asset Management Company Limited, HDFC Standard Life Insurance Company Limited, HDFC ERGO General Insurance Company Limited, GRUH Finance Limited, Sun Pharmaceutical Industries Limited, The Great Eastern Shipping Company Limited, Greatship (India) Limited, Next Gen Publishing Limited, Shrenuj & Company Limited, Torrent Power Limited, BSE Limited and HCL Technologies Limited. Mr. Mistry is also member on the India Advisory Board at Price Waterhouse Coopers and Director of Griha Investments, Mauritius, India Value Fund Advisors Private Limited and the H T Parekh Foundation. Mr. Mistry is the Chairman of the Audit Committee of the Great Eastern Shipping Company Limited, Sun Pharmaceuticals Industries Limited, Greatship (India) Limited, and Torrent Power Limited. Mr. Mistry is a member of the Audit Committee of HDFC Standard Life Insurance Company Limited, HDFC ERGO General Insurance Company Limited, HDFC Asset Management Company Limited, GRUH Finance Limited and Shrenuj & Company Limited.

Mr. Mistry is a member of the Remuneration Committee of GRUH Finance Limited and Greatship (India) Limited. Mr. Mistry is the Chairman of the Nomination Committee of Greatship (India) Limited.

Mr. Mistry holds 2,91,915 equity shares in the Bank as on March 31, 2014.

Mrs. Renu Karnad

Mrs. Renu Karnad is a law graduate and also holds a Master's Degree in Economics from Delhi University. Mrs. Karnad is a Parvin Fellow-Woodrow Wilson School of International Affairs, Princeton University, U.S.A.

Mrs. Karnad is a Director on the Board of Directors of BOSCH Limited, Credit Information Bureau (India) Limited, GRUH Finance Limited, Housing Development Finance Corporation Limited, HDFC Asset Management Company Limited, HDFC ERGO General Insurance Company Limited, HDFC Standard Life Insurance Company Limited, HDFC Property Ventures Limited, AKZO Nobel India Limited, Credila Financial Services Private Limited, Indraprastha Medical Corporation Limited, EIH Limited, ABB Limited, Feedback Infrastructure Services Private Limited, G4S Corporate Services (India) Private Limited and Lafarge India Private Limited. Mrs. Karnad is also a Director of H T Parekh Foundation, HDFC PLC, Maldives, WNS (Holdings) Limited, HIREF International LLC.

Mrs. Karnad is the Chairperson of the Audit Committee of AKZO Nobel India Limited, Credit Information Bureau (India) Limited and BOSCH Limited. Mrs. Karnad is a member of the Audit Committee of HDFC ERGO General Insurance Company Limited and member of Investor Grievance Committee of BOSCH Limited. Mrs. Karnad is the Chairperson of the Remuneration Committee of AKZO Nobel India Limited as well as the Chairperson of Risk Management Committee of HDFC Life Insurance Company Limited. Mrs. Karnad is also a member of the Investment Committee, Compensation Committee, Compensation-ESOS Committee, Committee of Directors of GRUH Finance Limited; Customer Service Committee and Risk Management Committee of HDFC Asset Management Company Limited; Remuneration Committee of Credit Information Bureau (India) Limited; Investment Sub Committee and Property Sub Committee of BOSCH Limited, member of the Compensation Committee and the Nomination & Governance Committee of WNS Global Services Private Limited.

Mrs. Karnad holds 2,94,620 equity shares in the Bank as on March 31, 2014.

Dr. Pandit Palande

Dr. Pandit Palande has a Ph.D. degree in Business Administration and has completed an Advanced Course in Management from the Oxford University and the Warwick University in UK. Dr. Palande has worked as a Director of School of Commerce and Management for 20 years in Yashwantrao Chavan Maharashtra Open University ("YCMOU"). Dr. Palande is a former Pro-Vice Chancellor of YCMOU.

Dr. Palande has extensive experience of working in the fields of business administration, management and agriculture.

Presently Dr. Palande is the Vice Chancellor of BRA Bihar University, Muzzafarpur.

Dr. Palande is not a member / Chairman of the Board of Directors of any other company.

Dr. Palande does not hold equity shares in the Bank as on March 31, 2014.

Mr. Partho Datta

Mr. Partho Datta 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. Thereafter, Mr. Datta joined the Chennai based Murugappa Group as the head of Group Finance and was a member of the Management Board of the Group, as well as Director in several Murugappa Group companies. Post retirement from the Murugappa Group, 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 is a Director of Peerless Funds Management Company Limited, IRIS Business Services Limited and Endurance Technologies Private Limited. Mr. Datta is the Chairman of the Audit Committee and member of the Risk Management Committee, Investment Committee and Remuneration Committee of Peerless Funds Management Company Limited. Mr. Datta is also the Chairman of the Audit Committee and a member of the Investor Grievance Committee of Endurance Technologies Private Limited. Mr. Datta is a member of the Audit Committee and the Special Board Committee of IRIS Business Services Limited.

Mr. Datta has rich and extensive experience in various financial and accounting matters including financial management.

Mr. Datta is one of the financial experts on the Audit & Compliance Committee of the Board.

Mr. Datta does not hold any equity shares in the Bank as on March 31, 2014.

Mr. Bobby Parikh

Mr. Bobby Parikh has 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 is a Director of BMR Advisors Private Limited, Taxand Advisors Private Limited, BMR Managed Services Private Limited, BMR Advisors Pte Limited, Aviva Life Insurance Company India Limited, Green Infra Limited, Indostar Capital Finance Limited and Birla Sun Life AMC Limited.

Mr. Parikh is the Chairman of the Audit Committee and a Member of the Investment Committee, Asset Liability Management Committee and Remuneration Committee of Aviva Life Insurance Company India Limited. Mr. Parikh is the Chairman of the Audit Committee and a member of the Compensation Committee of Green Infra Limited. Mr. Parikh is the Chairman of the Audit Committee and Member of Risk Management Committee, Compensation and Nomination Committee of Indostar Capital Finance Limited.

Mr. Parikh holds 812 equity shares in the Bank as on March 31, 2014.

Mr. A. N. Roy

Mr. A. N. Roy is an 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 specialisation 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 is a Director on the Board of India Ventures Advisors Private Limited, Glaxo SmithKline Pharmaceuticals Limited, Planet Retail Holdings Limited, Mayar Infrastructure Development Private Limited and The Skills Academy Private Limited. Mr. Roy is a member of the Senior Executives Compensation Committee of Glaxo Smithkline Pharmaceuticals Limited. Mr. Roy is also the Chairman of Vandana Foundation, a non profit company registered under Section 25 of the Companies Act, 1956.

Mr. Roy does not hold equity shares in the Bank as on March 31, 2014.

Mr. Vijay Merchant

Mr. Vijay Merchant is a Commerce graduate and has done Post Graduate studies in Business Management from IIM, Ahmedabad where he was awarded a merit scholarship in 1966. Mr. Merchant majored in Finance & Marketing from IIM, Ahmedabad. After initial training with the Mafatlal Group Central Finance Division, Mr. Merchant headed a large consumer products agency house, serving FMCG companies in South India for a decade. Subsequently Mr. Merchant has owned and managed Dynam Plastics, a SSI plastic unit manufacturing industrial products for local and export markets.

Over the last 30 years Mr. Merchant has worked on several national bodies of both the plastics industry and packaging industry on critical issues of development of the SSI sector. Besides, for over a decade Mr. Merchant has been actively involved in environmental issues of the plastic and packaging industries on global forums.

As a professional with a passion for environment protection Mr. Merchant has been one of the founders of the India Center for Plastics in Environment since 1999 and a live link between society, the government and the plastics industry, initiating projects and programmes and also sharing these with Asian neighbours and associations in western countries.

Mr. Merchant is on the Board of HDFC Asset Management Company Limited and Supriya Brothers Private Limited. Mr. Merchant is a member of the Risk Management, Customer Service and Share Allotment Committees of HDFC Asset Management Company Limited.

Mr. Merchant holds 2,500 equity shares in the Bank as on March 31, 2014.

Mr. Paresh Sukthankar

Mr. Paresh Sukthankar, who was earlier an Executive Director in the whole-time employment of the Bank, has been appointed as Deputy Managing Director of the Bank, pursuant to resolution passed by the shareholders by way of Postal Ballot. Mr. Sukthankar holds a Bachelor of Commerce (B.Com) degree from Sydenham College and has done his Masters in Management Studies (MMS) from Jamnalal Bajaj Institute (Mumbai) Mr. Paresh Sukhthankar has also completed the Advanced Management Program (AMP) from the Harvard Business School.

Mr. Sukthankar has been with the Bank since its inception in 1994 and has rich experience in areas such as Risk Management, Human Resource, Finance, Investor Relations and Corporate Communications etc.

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.

Mr. Sukthankar is not a member / Chairman of the Board of Directors of any other company.

Mr. Sukthankar holds 6,92,655 equity shares in the Bank as on March 31, 2014.

Mr. Kaizad Bharucha

Mr. Kaizad M. Bharucha has been appointed as an Executive Director of the Bank pursuant to resolution passed by the shareholders by way of Postal Ballot. Mr. Bharucha holds a Bachelor's degree in Commerce (B.Com) from the University of Mumbai.

Prior to this appointment Mr. Bharucha has served as Group Head- Wholesale Banking and Group Head - Credit and Market Risk and was responsible for Corporate Banking, Emerging Corporate Group, Business Banking, Capital Markets Business, Agri-lending and Department for Special Operations. Mr. Bharucha has a rich experience of 27 years in the Banking and Financial sector and has been associated with the Bank since 1995.

Prior to joining the Bank, Mr. Bharucha worked in SBI Commercial and International Bank in various areas including Trade Finance and Corporate Banking.

Mr. Bharucha 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 to Basel II guidelines.

Mr. Bharucha is a Director on the Boards of HDB Financial Services Ltd and HBL Global Pvt. Ltd. Mr. Bharucha has previously been a Director on the Board of International Asset Reconstruction Company Pvt. Ltd.

He holds 7,26,078 equity shares in the Bank as on March 31, 2014.

BOARD MEETINGS

During the year under review, eight (8) Board Meetings were held. The meetings were held on April 23, 2013, April 30, 2013, June 27, 2013, July 17, 2013, October 15, 2013, December 24, 2013, January 17, 2014 and March, 24th, 2014.

Details of attendance at the Board Meetings held during the year under review, directorship, membership and chairmanship in other companies for each director of the Bank are as follows:

Name of Director	*Attendance at the Bank's Board Meetings*	*Directorship of other Indian Public Limited Companies*	*Membership of Other Companies' Committees*	*Chairmanship of Other Companies' Committees*
Mr. C. M. Vasudev	8	9	7	1
Mr. Aditya Puri	8	Nil	Nil	Nil
Mr. Keki Mistry	6	13	10	4
Mrs. Renu Karnad	6	12	5	3
Dr. Pandit Palande	7	Nil	Nil	Nil
Mr. Partho Datta	6	3	2	1
Mr. Bobby Parikh	6	4	4	4
Mr. A. N. Roy	8	1	Nil	Nil
Mr. Harish Engineer[1]	4	Nil	Nil	Nil
Mr. Paresh Sukthankar	8	Nil	Nil	Nil
Mr. Vijay Merchant	8	1	Nil	Nil
Mr. Kaizad Bharucha[2]	3	1	1	Nil

1 *Ceased to be a Director w.e.f September 30, 2013*

2 *Inducted as an additional director with effect from December 24, 2013*

Note: Pursuant to clause 49 of the Listing Agreement, for the purpose of considering the limit of the Committees on which the directors are members / Chairmen, all public limited companies, whether listed or not, are included. Private Limited companies, foreign companies and companies under Section 25 of the Companies Act, 1956 are excluded. Further Chairmanship / Membership only of the Audit Committee and the Shareholders' Grievance Committee have been considered.

ATTENDANCE AT LAST AGM

All the directors of the Bank other than Mr. Kaizad Bharucha, who was appointed as an additional director on December 24, 2013, attended the previous Annual General Meeting held on June 27, 2013.

REMUNERATION OF DIRECTORS

Mr. C. M. Vasudev, Chairman

During the year, Mr. C. M. Vasudev was paid remuneration of ₹ 17.98 lakhs. Mr. Vasudev is also paid sitting fees for attending Board and Committee meetings. The remuneration of the Chairman has been approved by the Reserve Bank of India.

Managing Director and other Executive Directors:

The details of the remuneration paid to Mr. Aditya Puri, Managing Director; Mr. Paresh Sukthankar, Deputy Managing Director, Mr. Harish Engineer and Mr. Kaizad Bharucha Executive Directors during the year 2013-14 are as under :

(Amount in ₹)

Particulars	**Mr. Aditya Puri**	**Mr. Harish* Engineer**	**Mr. Paresh Sukthankar**	**Mr. Kaizad Bharucha 24/12/2013 to 31/03/2014**
Basic	2,38,05,000	60,75,000	1,21,50,000	8,67,460
Allowances & Perquisites	1,52,98,122	1,01,76,037	92,94,326	31,94,018
Provident Fund	28,56,600	7,29,000	14,58,000	1,04,095
Superannuation	35,70,750	9,11,250	18,22,500	1,12,770
Performance Bonus	1,51,36,147	16,42,179	16,42,179	-
No. of Stock Options granted during the year	8,00,000	Nil	4,00,000	2,00,000

* Mr. Harish Engineer retired from the services of the Bank on September 30, 2013.

The remuneration of Mr. Aditya Puri, Mr. Harish Engineer and Mr. Paresh Sukthankar as above has been approved by the Reserve Bank of India (RBI).

Approval of the RBI is awaited for the revised remuneration payable to Mr. Paresh Sukthankar as Deputy Managing Director and Mr. Kaizad Bharucha as Executive Director.

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. Engineer, 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 other than the Chairman receive remuneration only by way of sitting fees for each meeting of the Board and its various committees. No stock options are granted to any of the non-executive directors.

Sitting fees @ ₹ 20,000/- per meeting are paid for attending each meeting of the Board and its various Committees except for the Investor Grievance (Share) Committee for which sitting fees @ ₹ 10,000/- per meeting are paid to the directors.

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 (₹)
Mr. C.M. Vasudev	8,00,000
Mr. Keki Mistry	5,40,000
Mrs. Renu Karnad	3,30,000
Mr. Vijay Merchant	5,00,000
Dr. Pandit Palande	7,60,000
Mr. Partho Datta	6,20,000
Mr. Bobby Parikh	8,00,000
Mr. A. N. Roy	3,60,000

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. Some of the Committees of the Board were reconstituted during the year.

The Board's Committees are as follows :

Audit and Compliance Committee

The Audit and Compliance Committee of the Bank comprises Mr. C. M. Vasudev, Dr. Pandit Palande, Mr. Bobby Parikh and Mr. Partho Datta. The Committee is chaired by Mr. C. M. Vasudev. Mr. Sanjay Dongre, the Company Secretary of the Bank, acts as the secretary of the Committee.

The Committee met eight (8) times during the year. The meetings of the Committee were held on April 22, 2013, June 7, 2013, July 16, 2013, September 10, 2013, October 14, 2013, December 24, 2013, January 16, 2014 and March 3, 2014.

The terms of reference of the Audit Committee are in accordance with Clause 49 of the Listing Agreement entered into with the Stock Exchanges in India and include the following:

a) Overseeing the Bank's financial reporting process and ensuring correct, adequate and credible disclosure of financial information;

b) Recommending appointment and removal of external auditors and fixing of their fees;

c) Reviewing with management the annual financial statements before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning 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 clause 49 of the listing agreement.

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.

Compensation Committee

The Compensation Committee reviews the overall compensation structure and policies of the Bank with a view to attract, retain and motivate employees, considers grant of stock options to employees and reviews compensation levels of the Bank's employees vis-à-vis other banks and the banking industry in general.

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.

Mr. C. M. Vasudev, Dr. Pandit Palande, Mr. Partho Datta and Mr. Bobby Parikh are the members of the Committee.

The Committee is chaired by Mr. C. M. Vasudev. All the members of the Committee are independent directors.

The Committee met seven (7) times during the year. The meetings of the Committee were held on April 22, 2013, June 27 , 2013, July 17, 2013, September 10, 2013, October 14, 2013, December 24, 2013 and March 3, 2014.

Investor Grievance (Share) Committee

The Investor Grievance 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 complaints from shareholders relating to transfer of shares, non-receipt of Annual Report, dividends etc.

The Committee consists of Mr. A. N. Roy, Mrs. Renu Karnad, Mr. Aditya Puri and Mr. Paresh Sukthankar. The Committee is chaired by Mr. A. N. Roy. 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, the Company Secretary of the Bank is the Compliance Officer responsible for expediting the share transfer formalities.

As on March 31, 2014, 14 instruments of transfer for 2790 equity shares were pending for transfer and these have since been processed. The details of the transfers are reported to the Board from time to time.

During the year ended March 31, 2014, 2,753 complaints were received from the shareholders. All the complaints were attended to and as on March 31, 2014 no complaints remained unattended or pending. Besides, 6862 letters were received from the shareholders relating to change of address, nomination requests, email id and contact details updation, IFSC / MICR code updation, ECS / NECS 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 and amalgamation, request for revalidation of dividend warrants and other investor related matters. These letters have also been responded to.

The Committee met four (4) times during the year. The meetings of the Committee were held on April 23, 2013, July 17, 2013, October 15, 2013 and January 17, 2014.

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 Mr. C. M. Vasudev, Mrs. Renu Karnad, Mr. Partho Datta, Mr. Aditya Puri and Mr. Paresh Sukthankar. The Committee is chaired by Mrs. Renu Karnad.

The Committee met seven (7) times during the year. The meetings of the Committee were held on April 23, 2013, June 27, 2013, July 17, 2013, October 15, 2013, December 24, 2013, January 17, 2014, and March 24, 2014.

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.

As on March 31, 2014, the Committee consists of Mr. Bobby Parikh, Mr. Keki Mistry, Mr. Vijay Merchant, Mr. Aditya Puri and Mr. Kaizad Bharucha.

The Committee met fifteen (15) times during the year. The meetings of the Committee were held on April 15, 2013, May 3, 2013, May 16, 2013, May 22, 2013, June 6, 2013, June 24, 2013, June 27, 2013, July 17, 2013, August, 6, 2013, September 6, 2013, September 23, 2013, October 15, 2013, November 26, 2013, January 17, 2014 and March 7, 2014.

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.

As on March 31, 2014 the Committee consists of Mrs. Renu Karnad, Dr. Pandit Palande, Mr. Vijay Merchant and Mr. Aditya Puri.

The Committee met six (6) times during the year. The meetings of the Committee were held on April 23, 2013, July, 17, 2013, October 15, 2013, December 24, 2013, January 17, 2014 and March 24, 2014.

Nomination Committee

The Bank has constituted a Nomination Committee for recommending the appointment of directors on the Board of the Bank. The Nomination Committee scrutinizes the nominations of the directors with reference to their qualifications and experience. For identifying 'Fit and Proper' persons, the Committee adopts the following 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 practice are considered.

The members of the Nomination Committee are Mr. C. M. Vasudev Dr. Pandit Palande and Mr. Partho Datta. All the members of the Committee are independent directors.

The Committee met thrice (3) during the year. The meetings of the Committee were held on April 22 , 2013, July 16 , 2013 and December 24, 2013.

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 ₹ 1,00,00,000/- (Rupees One Crore Only) 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 Mr. C. M. Vasudev, Dr. Pandit Palande, Mr. Partho Datta, Mr. A. N. Roy, Mr. Keki Mistry and Mr.Aditya Puri.

The Committee met four (4) times during the year. The meetings of the Committee were held on April 22, 2013, July 16, 2013, October 14, 2013 and January 17, 2014.

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, the annual survey of depositor satisfaction and the triennial audit of such services.

The members of the Committee are Mr. C. M. Vasudev, Dr. Pandit Palande, Mr. A. N. Roy, Mr. Keki Mistry and Mr. Aditya Puri.

The Committee met four (4) times during the year. The meetings of the Committee were held on April 22, 2013, July 16, 2013, October 14, 2013 and January 17, 2014.

Corporate Social Responsibil ity (CSR) Committee

During the year 2013 - 14, the Board has constituted a 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 and Mr.Paresh Sukthankar.

The Committee met three (3) times during the year. The meetings of the Committee were held on July 17, 2013, December 24, 2013 and March 18, 2014.

COMPOSITION OF COMMITTEES OF DIRECTORS AND ATTENDANCE AT THE COMMITTEE MEETINGS

Audit & Compliance Committee

[Total eight meetings held]

Name	No. of meetings attended
Mr. C. M. Vasudev	8
Mr. Bobby Parikh	8
Dr. Pandit Palande	8
Mr. Partho Datta	6

Risk Policy & Monitoring Committee

[Total seven meetings held]

Name	No. of meetings attended
Mrs. Renu Karnad	5
Mr. C. M. Vasudev	7
Mr. Partho Datta	5
Mr. Aditya Puri	7
Mr. Paresh Sukthankar	7

Compensation Committee

[Total seven meetings held]

Name	No. of meetings attended
Mr. C. M. Vasudev	7
Dr. Pandit Palande	7
Mr. Partho Datta	6
Mr. Bobby Parikh	7

Credit Approval Committee

[Total fifteen meetings held]

Name	No. of meetings attended
Mr. Bobby Parikh	14
Mr. Keki Mistry	13
Mr. Vijay Merchant	12
Mr. Aditya Puri	10
Mr. Kaizad Bharucha	2

Investor Grievance (Share) Committee

[Total four meetings held]

Name	No. of meetings attended
Mr. A. N. Roy	4
Mrs. Renu Karnad	3
Mr. Aditya Puri	4
Mr. Paresh Sukhthankar	4

Premises Committee

[Total six meetings held]

Name	No. of meetings attended
Mrs. Renu Karnad	4
Dr. Pandit Palande	5
Mr. Vijay Merchant	5
Mr. Aditya Puri	6

Customer Service Committee

[Total four meetings held]

Name	No. of meetings attended
Mr. C. M. Vasudev	4
Dr. Pandit Palande	4
Mr. A. N. Roy	4
Mr. Keki Mistry	4
Mr. Aditya Puri	4

Nomination Committee

[Total three meeting held]

Name	No. of meetings attended
Mr. C. M. Vasudev	2
Dr. Pandit Palande	3
Mr. Partho Datta	2

Fraud Monitoring Committee

[Total four meetings held]

Name	No. of meetings attended
Mr. C. M. Vasudev	4
Dr. Pandit Palande	4
Mr. Partho Datta	3
Mr. A. N. Roy	4
Mr. Keki Mistry	4
Mr. Aditya Puri	4

Corporate Social Responsibility Committee

[Total three meeting held]

Name	No. of meetings attended
Mrs. Renu Karnad	Nil
Mr. Partho Datta	3
Mr. Bobby Parikh	2
Mr. Aditya Puri	3
Mr. Paresh Sukthankar	3

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 Listing Agreement.
- To receive notice of general meetings, annual report, the balance sheet and profit and loss account and the auditors' report.
- 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.
- To attend and speak in person, at general meetings. Proxy cannot vote on show of hands but 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.
- As per Banking Regulation Act, 1949, the voting rights on a poll of a shareholder of a banking company are capped at 10% of the total voting rights of all the shareholders of the banking company. In terms of the Banking Laws Amendment Act, 2012, the Banking Regulation Act, 1949 has been amended to provide that the Reserve Bank of India would have the powers to increase in a phased manner the ceiling on voting rights from 10% to 26%. The amendment is effective from January 18, 2013.
- To demand poll along with other shareholder(s) who collectively hold 2,50,000 shares or are not less than 1/10th of the total voting power in respect of any resolution.
- To requisition an extraordinary general meeting of any company by shareholders who collectively hold not less then 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.
- To make nomination in respect of shares held by the shareholder.

The rights mentioned above are prescribed in the Companies Act, 2013 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

(During the three previous financial years)

The, 17th, 18th and 19th Annual General Meetings of the Bank were held at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020 at 2.30 p.m. on July 6, 2011, July 13, 2012 and June 27, 2013 respectively. One special resolution each was passed at the 17th and 19th Annual General Meetings. No special resolution was passed at 18th Annual General Meeting.

POSTAL BALLOT

Details of resolutions passed through Postal Ballot:

The Bank sent Postal Ballot notice dated January 17, 2014 to the members seeking their approval through Postal Ballot for passing the following resolutions :

Resolution No : 1 Appointment of Mr. Paresh Sukhthankar as Deputy Managing Director of the Bank.

Resolution No : 2 Appointment of Mr. Kaizad Bharucha as Executive Director of the Bank.

Resolution No : 3 Appointment of Mr. C. M. Vasudev as Part time Chairman of the Bank.

Resolution No : 4 To borrow money pursuant to section 180 (1) (c) of the Companies Act, 2013

The Bank had appointed V.V. Chakradeo & Co Company Secretaries as the scrutinizer for conducting the Postal Ballot process. Accordingly, the postal Ballot was conducted by the scrutinizer and a report submitted to the Chairman. The results of the voting conducted through Postal Ballot are as under :

RESOLUTION NO : 1

Particulars	Number of Postal Ballot Papers (Physical & Electronic)	Number of Votes	% To Valid Votes
Total Postal Ballot Forms and e-votes received	7,383	108,71,31,078	-
Less: Number of invalid Postal Ballot Forms	314	11,26,72,532	-
Net valid Postal Ballot Forms and e- votes	7,069	97,44,58,546	100
Votes cast in favor of the resolution	6,855	97,44,02,818	99.99
Votes cast against the resolution	214	57,728	0.01

RESOLUTION NO : 2

Particulars	Number of Postal Ballot Papers (Physical & Electronic)	Number of Votes	% To Valid Votes
Total Postal Ballot Forms and e-votes received	7,377	108,70,37,954	-
Less: Number of invalid Postal Ballot Forms	329	11,26,75,097	-
Net valid Postal Ballot Forms and e-votes	7,048	97,43,62,857	100
Votes cast in favor of the resolution	6,826	97,42,93,036	99.99
Votes cast against the resolution	222	69,821	0.01

RESOLUTION NO 3 :

Particulars	Number of Postal Ballot Papers (Physical & Electronic)	Number of Votes	% To Valid Votes
Total Postal Ballot Forms and e-votes received	7,382	108,70,39,248	-
Less: Number of invalid Postal Ballot Forms	348	11,39,02,435	-
Net valid Postal Ballot Forms and e- votes	7,034	97,31,36,813	100
Votes cast in favor of the resolution	6,792	97,21,64,788	99.90
Votes cast against the resolution	242	9,72,025	0.10

RESOLUTION NO 4 :

Particulars	Number of Postal Ballot Papers (Physical & Electronic)	Number of Votes	% To Valid Votes
Total Postal Ballot Forms and e-votes received	7,375	108,71,31,402	-
Less: Number of invalid Postal Ballot Forms	366	11,25,21,157	-
Net valid Postal Ballot Forms and e-votes	7,009	97,46,10,245	100
Votes cast in favor of the resolution	6,696	97,45,22,552	99.99
Votes cast against the resolution	313	87,693	0.01

All the above resolutions were passed with requisite majority.

DISCLOSURES

During the year, the Bank has not entered into any materially significant transactions with the promoters, directors, the management, subsidiaries or relatives of the Directors, which could have a potential conflict of interest between the Bank and these parties, other than the transactions entered into in the normal course of business. Transactions with related parties entered into by the Bank in the normal course of business were placed before the Audit Committee. There were no material individual transactions with related parties, which were not in the normal course of business, nor were there any material transactions with related parties or others, which were not on an arm's length basis. The senior management of the Bank has made disclosures to the Board confirming that there are no material, financial and / or commercial transactions between them and the Bank, which could have a potential conflict of interest with the Bank at large. Details of related party transactions entered into during the year ended March 31, 2014 are given in Schedule 18, Note No. 24 forming part of 'Notes to Accounts'.

During 2013-14 a www.Cobrapost.com release claimed to have carried out a sting operation named "Operation Red Spider" on banks over a period of several months. The allegations made in the release indicated that banks including HDFC Bank could assist in channelizing vast amounts of black money into the regular banking system as laundered white money. The Bank had immediately engaged the services of M/s Amarchand & Mangaldas and Suresh A. Shroff & Co., to coordinate and advise the Bank on legal issues in respect of the potential allegations posted by Cobrapost.com. M/s Deloitte Touche Tohmatsu India Pvt. Ltd was appointed by the said firm to carry out an independent forensic investigation Further, Reserve Bank of India have also conducted a special scrutiny into the matter. The scrutiny did not bring out any incident of money laundering. However certain irregularities/violations were found by the RBI with respect to adherence to KYC for walk-in customers for sale of third party insurance products, arrangement of at-par payments of cheques drawn by co-operative banks, exceptions in risk profiling in some cases, sale of gold coins against cash in excess of INR 50,000/- in few cases etc. Based on its assessment, the RBI imposed a monetary penalty of INR 4.5 crore on the Bank in June 2013, which has since been paid. In the light of the observations / violations reported by RBI, the Bank has taken steps to further strengthen its controls and processes in the said areas including discontinuation of sale of third party products and gold to non-customers and further tightening the process with respect to arrangement with co-operative banks and risk profiling of customers.

There are no penalties levied upon the Bank by any regulatory authority during the year 2012-13.

The details of penalties levied by the Reserve Bank of India (RBI) during 2011-12 are as below :

The RBI issued a show cause notice in October 2010 to the Bank for having contravened the guidelines issued by the RBI and provisions of Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulation 2000 in respect of derivative deals done by the Bank as observed in its annual financial inspection of the Bank with respect to its financial position as at and for the years ended March 31, 2007 and March 31, 2008. Subsequently, the Bank, vide its letter dated October 19, 2010, submitted a detailed response to the RBI explaining the Bank's position and clarifying that the Bank was in compliance with the RBI guidelines. While RBI accepted some of the submissions made by the Bank, few other submissions made in the matter were not accepted by RBI. RBI, accordingly, imposed penalty of ₹ 15,00,000 (Fifteen Lakhs) for non-compliance of the RBI's directions and instructions in terms of Section 47A(1)(b) read with Section 46(4) of the Banking Regulation Act 1949. The stated amount was paid by the Bank during the year ended March 31, 2012.

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 mandatory requirements of the Code of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India.

COMPLIANCE WITH NON-MANDATORY REQUIREMENTS

a) Board of Directors

The Bank maintains the expenses relating to the office of non-executive Chairman of the Bank and reimburses all the expenses incurred in performance of his duties. Pursuant to Section 10-A(2A) 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 8 (eight) years. All the independent directors of the Bank possess requisite qualifications and experience which enable them to contribute effectively to the Bank.

b) Remuneration Committee

The Bank has set up a Compensation Committee of Directors to determine the Bank's policy on remuneration packages for all executive directors and employees. The Committee comprises of independent directors.

Mr. C. M. Vasudev is the Chairman of the Compensation Committee.

c) Shareholder's Rights

The Bank publishes its results on its website at www.hdfcbank.com which is accessible to the public at large. Besides, the same are also available on www.corpfiling.co.in. 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.

d) 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.

e) Training of Board Members

The Bank's Board consists of professionals with expertise in their respective fields and industry. The Directors endeavour to keep themselves updated with changes in global economy and legislation. They attend various workshops and seminars to keep themselves abreast with the changes in the business environment.

f) Mechanism for evaluating non-executive Board Members

The Nomination Committee evaluates the non-executive Board members every year. The performance evaluation of the members of the Nomination Committee is conducted by the Board excluding the Directors being evaluated.

g) Whistle Blower Policy

The Bank has adopted the 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 and Compliance Committee.

The functioning of the Whistle Blower mechanism is reviewed by the Audit and Compliance Committee from time to time. None of the Bank's personnel have been denied access to the Audit and Compliance Committee.

SHAREHOLDERS HOLDING MORE THAN 1 % OF THE SHARE CAPITAL OF THE BANK AS AT MARCH 31, 2014

Sr No.	Name of the Shareholder	No. of Shares held	% to share capital
1	JP Morgan Chase Bank, NA (Depository for ADS)*	39,55,59,012	16.49
2	Housing Development Finance Corporation Limited	39,32,11,100	16.39
3	HDFC Investments Limited	15,00,00,000	6.25
4	Life Insurance Corporation of India and its subsidiaries	11,87,86,577	4.95
5	Euro Pacific Growth Fund	6,83,15,429	2.85
6	ICICI Prudential Life Insurance Company Ltd	4,36,42,443	1.82
7	Abu Dhabi Investment Authority	3,85,47,388	1.61
8	Government of Singapore	3,76,06,104	1.57
9	DB International (Asia) Ltd	2,75,42,540	1.15

*One (1) American Depository Share (ADS) represents Three (3) underlying equity shares of the Bank

DISTRIBUTION OF SHAREHOLDINGS AS AT MARCH 31, 2014					
Share Range From	Share Range To	No. of Shares held	% of share capital	No. of Holders	% of No. of Holders
1	2500	9,87,61,873	4.12	4,12,653	97.71
2501	5000	1,66,81,588	0.69	4621	1.09
5001	10000	1,29,22,362	0.54	1832	0.43
10001	15000	83,03,085	0.35	665	0.16
15001	20000	59,70,008	0.25	341	0.08
20001	25000	62,32,195	0.26	274	0.07
25001	50000	2,13,27,305	0.89	598	0.14
50001	100000	2,83,47,213	1.18	385	0.09
100001	and above	220,05,04,806	91.72	945	0.23
Total		**239,90,50,435**	**100.00**	**4,22,314**	**100.00**

3,51,321 folios comprising 237,83,79,065 equity shares forming 99.14 % of the share capital are in the demat form.
70,993 folios comprising 2,06,71,370 equity shares forming 0.86 % of the share capital are in physical form

CATEGORIES OF SHAREHOLDERS AS AT MARCH 31, 2014		
Category	No. of Shares held	% to share capital
Promoters (*)	54,32,16,100	22.64
ADS and GDRs #	40,70,04,657	16.97
Foreign Institutional Investors & Qualified Foreign Investors	81,82,43,376	34.11
Overseas Corporate Bodies, Non-Resident Indians, Foreign Bodies & Foreign Nationals	80,45,450	0.34
Banks, Mutual Funds, Financial Institutions and Central Government	11,42,13,322	4.76
Life Insurance Corporation and its subsidiaries	11,87,86,577	4.95
General Insurance Corporation and its subsidiaries	42,52,618	0.18
Indian Companies	19,40,18,270	8.09
Others	19,12,70,065	7.97
TOTAL	**239,90,50,435**	**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 (39,55,59,012 underlying equity shares) & GDRs (1,14,45,645 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$)**

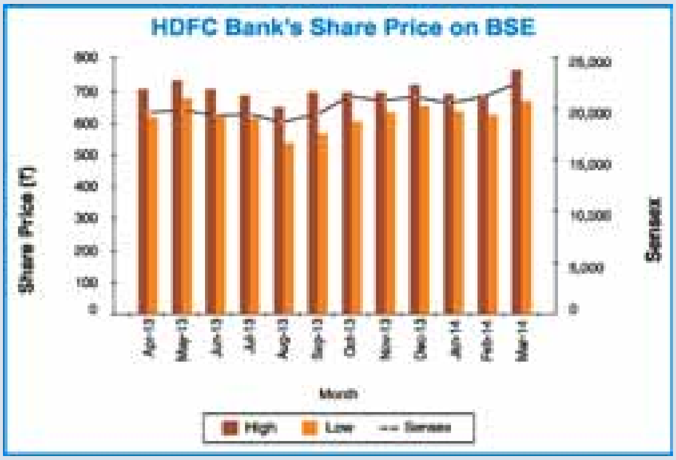
Month	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
High	6.46	6.60	6.12	5.83	5.24	5.54	5.59	5.51	5.75	5.53	5.45	6.25
Low	5.63	6.20	5.14	5.02	4.07	4.16	4.85	4.96	5.24	5.02	5.01	5.37

2 GDRs represent one underlying equity share of the Bank

SHARE PRICE / CHART

The monthly high and low quotation of Bank's equity shares traded on Bombay Stock Exchange Ltd (BSE) and National Stock Exchange of India Ltd (NSE) during FY 2013-14 and its performance vis-à-vis BSE SENSEX and S&P CNX NIFTY respectively is as under:

Bombay Stock Exchange Limited			
Month	High (₹)	Low (₹)	Sensex Closing
April, 2013	704.00	612.45	19,504.18
May, 2013	727.00	668.35	19,760.30
June, 2013	701.00	620.00	19,395.81
July, 2013	696.90	605.10	19,345.70
August, 2013	637.80	528.00	18,619.72
September, 2013	689.90	558.40	19,379.77
October, 2013	688.00	588.95	21,164.52
November, 2013	688.00	629.05	20,791.93
December, 2013	714.80	650.00	21,170.68
January, 2014	685.00	625.20	20,513.85
February, 2014	682.15	618.00	21,120.12
March, 2014	760.50	661.15	22,386.27



National Stock Exchange of India Limited			
Month	High (₹)	Low (₹)	Nifty Closing
April, 2013	702.00	613.40	5,930.20
May, 2013	727.30	669.95	6,187.30
June, 2013	701.40	620.00	5,939.30
July, 2013	698.05	606.90	6,077.80
August, 2013	637.80	528.00	5,742.30
September, 2013	689.90	557.05	6,115.55
October, 2013	689.00	589.35	6,299.15
November, 2013	688.00	616.70	6,317.35
December, 2013	717.40	649.55	6,363.90
January, 2014	685.00	625.10	6,345.65
February, 2014	682.90	616.80	6,276.95
March, 2014	760.75	662.50	6,704.20

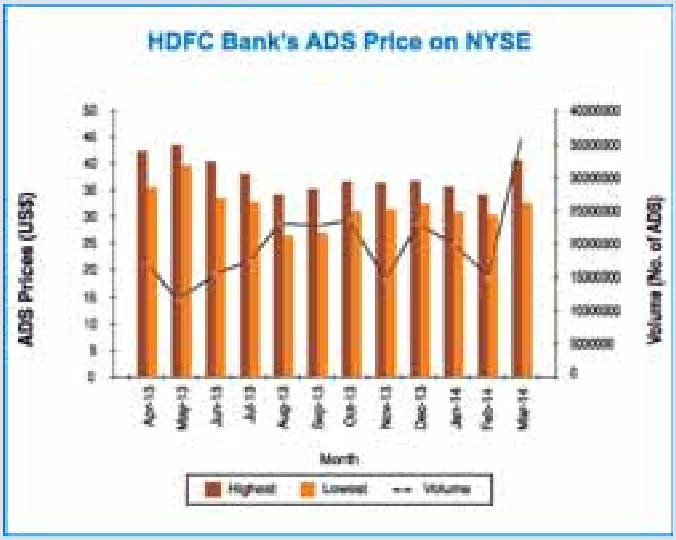
Source : www.nseindia.com

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 2013-14.

NY Stock Exchange Limited			
Month	Highest (US$)	Lowest (US$)	Monthly Volume
April, 2013	42.62	35.75	1,74,90,800
May, 2013	43.81	40.00	1,19,78,300
June, 2013	40.60	33.90	1,51,40,500
July, 2013	38.12	32.78	1,72,54,800
August, 2013	34.25	26.62	2,32,64,700
September, 2013	35.30	27.01	2,27,65,100
October, 2013	36.80	31.36	2,33,66,100
November, 2013	36.47	31.63	1,49,96,300
December, 2013	36.82	32.58	2,27,88,600
January, 2014	35.57	30.70	2,01,45,400
February, 2014	34.27	30.57	1,50,76,200
March, 2014	41.07	32.80	3,58,43,900

Source : www.nyse.nyx.com

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, 2014 which could have an impact on the equity capital of the Bank.



FINANCIAL CALENDAR [1 April, 2014 to March 31, 2015]	
Board Meeting for consideration of accounts and recommendation of dividend	April 22, 2014
Dispatch of Annual Reports	May 26, 2014 to May 30,2014
Book closure for 20th Annual General Meeting	June 07, 2014 to June 25 2014 (both days inclusive)
Last date of receipt of proxy forms	June 23, 2014 (up to 2.30 p.m.)
Date, Time and Venue of 20th AGM	June 25, 2014 2.30 p.m.; Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020
Dividend Declaration Date	June 25, 2014
Probable date of payment of dividend	Electronic : From June 27, 2014 onwards. Physical : From July 03, 2014 onwards.
Board Meetings for considering unaudited results for first 3 quarters of FY 2014-15	Within 25 days of 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 2014-15 have been paid :

Sr. No.	NAME AND ADDRESS OF THE STOCK EXCHANGE	STOCK CODE
1.	Bombay Stock Exchange 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,	HDFCBANK

Names of Depositories in India for dematerialisation 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. 11005	J P Morgan Chase Bank, N.A. 4, New York Plaza, 13th Floor, New York, NY 10004
2	Global Depository Receipts (GDRs) (ISIN/ Trading Code : US40415F2002)	Luxembourg Stock Exchange **Postal Address :** 11, av de la Porte-Neuve, L - 2227 Luxembourg. **Mailing Address :** B.P. 165, L - 2011, Luxembourg	J P Morgan Chase Bank, N.A. 4, New York Plaza, 13th 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 dematerialised (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 Investors' Grievance (Share) Committee of the Bank or authorised 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 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 posted with Corporate Filing & Dissemination System (Corpfiling) at www.corpfiling.co.in through the Stock Exchanges.

Quarterly results, press releases and presentations 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. The share dealing code, inter alia, prohibits purchase / sale of shares of the Bank by employees while in possession of unpublished price sensitive information in relation to the Bank.

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 lodgement of transfer deeds and any other documents or for any grievances / complaints, shareholders / investors may contact at the following address :

Mr. C. R. Rao / 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 - 28213404; 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 Fax : 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 : +91-022-24988484 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.asp

For grievances other than Shareholder grievances please send your communication to the following email addresses:

Depository Services : **dphelp@hdfcbank.com**
Retail Banking / ATM/ Debit Cards / Mutual Fund : **support@hdfcbank.com**
Loans; Advances / Advance against shares: **loansupport@hdfcbank.com**
Credit Cards : customerservices.**cards@hdfcbank.com**

COMPLIANCE CERTIFICATE OF THE AUDITORS

The Statutory Auditors have certified that the Bank has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges and the same is annexed to the Annual Report.

The Certificate from the Statutory Auditors will be sent to the Stock Exchanges along with the Annual Report of the Bank.

On behalf of the Board of Directors

C. M. Vasudev
Chairman

Mumbai, April 22, 2014

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.

Aditya Puri
Managing Director

Mumbai, April 22, 2014

HDFC BANK
We understand your world

A) DIVIDENDS :

Receipt of Dividends through Electronic mode :

Securities and Exchange Board of India (SEBI) has vide Circular No. CIR/MRD/DP/10/2013 dated March 21, 2013 directed that Listed Companies shall mandatorily make all payments to Investors, including Dividend to shareholders, by using any Reserve Bank of India (RBI) approved electronic mode of payment Viz. ECS, LECS (Local ECS), RECS (Regional ECS), NECS (National ECS), 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 6th June, 2014 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 RBI 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 2nd June, 2014 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.

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 Book Closure 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 Electronic Clearing Service (NECS)
2. Electronic Clearing Service (ECS)
3. National Electronic Fund Transfer (NEFT)
4. 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, then 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.

The Register of Members and the Share Transfer Books shall remain closed from 7th June, 2014 to 25th June, 2014 (both days inclusive) for the purpose of dividend.

Unclaimed Dividends

In terms of the provisions of Section 205C of the Companies Act, 1956, 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. Once such amounts are transferred to IEPF, no claim of the shareholder shall lie against the Bank or the IEPF. Dividends for and up to the financial year ended 31st March 2006 have already been transferred to the IEPF and the dividend for the financial year 31st March, 2007 is in the process of being transferred to IEPF. The details of unclaimed dividends for the financial year 2006-07 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
31st March, 2007	16th June, 2007	15th June, 2014
31st March, 2008	10th June, 2008	9th June, 2015
31st March, 2009	14th July, 2009	13th July, 2016
31st March, 2010	30th June, 2010	29th June, 2017
31st March, 2011	6th July, 2011	5th July, 2018
31st March, 2012	13th July, 2012	12th July, 2019
31st March, 2013	27th June, 2013	26th June, 2020

B) UNCLAIMED SUSPENSE ACCOUNT

As on 31st March 2014, there were 23,96,940 shares which are lying unclaimed in the 'Unclaimed Suspense Account' as per the details given below :

Particulars	Folios	Shares
Opening Balance in Unclaimed Suspense Account as on 1st April, 2013	13,928	25,11,040
Add: Transferred during the year 2013-14	-	-
Less: Claims received from the Shareholders and shares transferred during 2013-14	299	1,14,100
Closing Balance in Unclaimed Suspense Account as on 31st March, 2014	**13,629**	**23,96,940**

61,902 donors. **1,115** camps. **709** locations in **1 day.**

A GUINNESS WORLD RECORD™ created

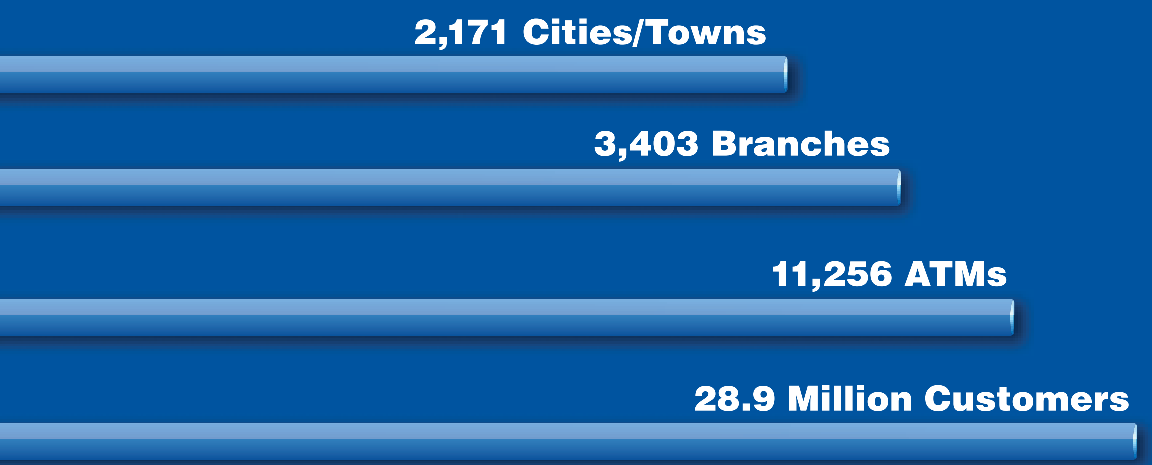
for the largest blood donation drive.

Every drop you donated made a difference.

Thank you!

HDFC BANK

We understand your world


2,171 Cities/Towns
3,403 Branches
11,256 ATMs
28.9 Million Customers

Annual Business Responsibility Report 2013-2014

In line with the National Voluntary Guidelines on
Social, Environmental and Economic Responsibilities of Business

HDFC BANK
We understand your world

HDFC Bank and Responsible Business

Business Responsibility has been a significant tenet in our growth. In an environment with growing recognition for businesses contributing to community development, we at HDFC Bank have progressed further in our efforts towards inclusive growth and development of the communities we operate in.

Having evaluated our performance in Business Responsibility last year, we have been able to move steadily towards improving upon our systems and processes in order to adopt an inclusive approach.

At HDFC Bank, governance of Sustainability, Corporate Social Responsibility (CSR) and Business Responsibility is driven by a Board-level CSR Committee which is entrusted with formulating, revising and updating our CSR Policy. Our policy governs the implementation of all our CSR initiatives with due compliance to Section 135 of Companies Act, 2013. Our aim is to integrate community development, responsible governance, stakeholder inclusiveness and environmental responsibility into business practices and operations.

In this report, we have reflected upon the four main aspects of Business Responsibility at HDFC Bank, which are Ethical Governance, Stakeholder Engagement and Environmental and Social Responsibility. Each of these aspects has been detailed in the pages that follow.

Reporting Organisation	:	HDFC Bank Limited
Corporate Identity Number	:	L65920MH1994PLC080618
Registered Address	:	HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai – 400013
Website	:	www.hdfcbank.com
E-mail ID	:	investors.helpdesk@hdfcbank.com
Financial Year Reported	:	FY 2013-14

HDFC Bank Limited is a publicly held banking company (industrial activity code: 64191) engaged in providing a range of banking and financial services including commercial banking and treasury operations. The Bank is governed by the the Banking Regulation Act, 1949.

Section 1

Ethical Governance

At HDFC Bank, we are proactive in adopting the best of corporate governance practices and adhering to all ethical guidelines. We strive to maintain the trust of stakeholders through transparent business disclosures on our performance. We have established policies to provide direction, to monitor and to constantly benchmark our performances against industry standards.

The highest governing body of HDFC Bank which is the Board of Directors, is governed by the provisions of the Companies Act 1956, the Banking Regulations Act, 1949 and the listing agreement requirements of the Indian Stock Exchanges in terms of its composition.

Our Board comprises of 11 Directors, six of whom are independent directors and five are non-independent directors. Excluding three directors, all others are non-executive directors and none of them are related to each other.

In order to make informed decisions, the Board has constituted committees that oversee specific business areas and monitor the activities falling within their purview. These committees include the Audit and Compliance Committee, Compensation Committee, Investor Grievance Committee, Risk Policy and Monitoring Committee, Credit Approval Committee, Premises Committee, Nomination Committee, Fraud Monitoring Committee, Customer Service Committee and Corporate Social Responsibility (CSR) Committee. Each of the committees meet periodically during the year to monitor, evaluate, revise and strategize. The CSR Committee has successfully formulated our CSR Policy and set goals and strategy for CSR which are in line with the requirements of Section-135 of the Companies Act, 2013. The CSR Committee will also monitor and review our CSR performance regularly.

We ensure compliance with all the applicable governmental and regulatory rules and any lapse or lack of proper understanding/interpretation of a guideline is resolved with utmost priority. We do not engage in policy advocacy, but are actively involved in consultations and discussion forums with the government and other bodies in the banking industry.

Our Code of Conduct and Ethics Manual helps employees understand key principles and commitments that we adhere to in our business ethics. Every employee is required to accept and conform to our code of conduct. The manual helps us maintain high standards of corporate governance while dealing with conflicts of interest.

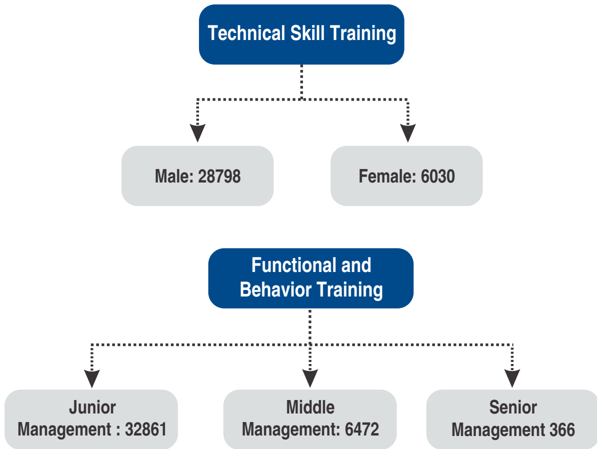
Partnering with Stakeholders

We believe that building a strong relationship and engaging with stakeholders on a consistent and continuous basis is essential for healthy business growth. We acknowledge and value the role played by our stakeholders – both internal and external, which has helped us maintain our position among the leaders in the financial sector.

INTERNAL STAKEHOLDERS

Employees

As of 31st March 2014, 50,906 employees were part of the HDFC Bank family. Our workforce is a healthy mix of diverse groups in line with our non-discrimination policy which prohibits any kind of discrimination on the basis of gender, class, caste, religion or ethnic background. We have a firm policy against the use of any form of child labour or forced labour in our branches and offices. The only employee association in the Bank comprises 350 (0.73%) of our employees, who were part of the erstwhile Lord Krishna Bank Trust.



To enhance the learning and development of our employees, we conduct trainings in technical as well as behavioral aspects. Focused sessions on technical and functional training were conducted through the year where employees were trained in aspects of innovative banking operations and behavioral solutions such as effective planning, decision making etc. In the reporting period, the average duration of training undergone by each employee was 39 hours.

Gender Inclusion

The strength of our women employees stood at 9,075 as of 31st March 2014. We strive to maintain a gender-inclusive environment and ensure the safety of our female employees. We have safety guidelines for women employees and supervisors are expected to be responsible for the safety of their female staff.

We ensure that all cases of harassment are treated with great sensitivity and are escalated in time for resolution. Our policy and redressal process are governed by the Prevention of Sexual Harassment for Women and Workplace Act, 2013.The Sexual Harassment Committee investigates complaints/instances that are reported.

To create a safe and conducive work place for women, we have facilities such as extended maternity leave, onsite crèche to manage young wards, special workshops and seminars and special awards in recognition of the contribution of women who have achieved success.

Employee Engagement and Wellness

We believe that employees are our greatest assets. A motivated workforce is the key to achieving important business goals. We have adequate systems and initiatives in place to keep our employees informed, engaged and empowered. Some of our key initiatives towards engagement and wellness are:

- An in-house series of multi-city, multi-discipline sports events held in over 15 cities in 2013-14

Josh Unlimited

- An international pedometer-based team event that encourages activity in a simple, inclusive, fun and relevant manner to compliment hectic schedules and healthy lifestyles

Stepathlon

- A platform for all the employees of the Bank who are passionate about singing, to showcase their talent on a National Level

HDFC Bank Voice Hunt Contest

- An 'In-house Musical Band' where employees across locations & functions come together to share their passion for music & form their bands

Sensations

- A pan-India Corporate Photography contest in which 21 photographs clicked by the employees of the Bank were selected out of over 1300 entries. These photographs were displayed at the Prince of Wales Museum.

Corporate Photography Contest

- Introduction of online music classes for all employees

Online Music Classes

- Happy Bankers! Wellness messages sent across in the Bank
- Providing complete health check-up packages for our employees

Health and Wellness

- Celebrations during Diwali/ Christmas
- Special workshops during Women's day
- Creating forums for employees to connect

Other Wellness/Diversity Initiatives

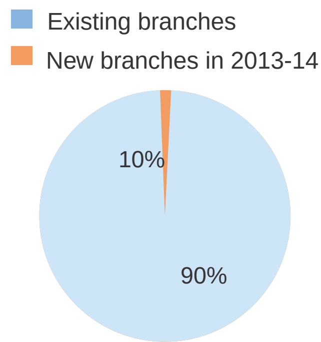
EXTERNAL STAKEHOLDERS

Customers

Customers are our top-most priority and we make every effort to ensure that we meet their expectations. Our Citizen's Charter details our products and services and offers information on general banking facilities, our policy on customer information, different time standards for banking transactions and the process followed for the redressal of grievances.

In order to make basic banking facilities available in a more comprehensive manner, we have added on a greater number of branches and ATMs across the country. We have the Basic Savings Bank Deposit Account (BSBDA) which offers customised solutions to suit the needs of different classes of customers. We have been directing efforts to engage marginalized customers who are financially underprivileged and have no access to formal banking systems, through various inclusion initiatives and customised offerings. Our Grameen Loan Mahotsavas or loan fairs are a part of our 'Viable Finance' initiative to expand our reach to rural customers. At a Mahotsava, we offer a variety of loans including agricultural loans and financing for tractors, auto, two-wheelers and commercial vehicles. It is our continued endeavour to build need-based products and services and help customers understand how best to utilise our products to derive maximum sustainable benefits.

TOTAL NUMBER OF BRANCHES



Engaging in Meaningful Ways

Regular engagement with customers helps us understand their expectations and accordingly improve our service. We use feedback channels such as daily internal checks, quarterly call evaluations and service quality assessments to understand customer issues. Our Quality Initiative Group (QIG) conducts surveys to measure and analyse the satisfaction of our customers with our products and services. These surveys also help us assess the effectiveness our complaint-handling mechanism.

Customers who have complaints/grievances are encouraged to approach designated authorities who handle the procedure covering all aspects related to recording, resolution and escalation of complaints. Our grievance redressal mechanism ensures that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible. In case of no response within one month from date of complaint or in case of dissatisfaction with the response received from the Bank, customers can approach the Banking Ombudsman appointed by the Reserve Bank of India (RBI).

Responsible Service

We have put in place effective systems that ensure transparency and accuracy in-line with our Corporate Communications Policy. Complete and correct information is passed onto customers to help them make informed decisions. Adequate terms and conditions are also explained when required.

The Communication and Awareness Committee (CAAC) monitors compliance with the RBI guidelines on customer education. The main objective of this committee is to help customers prevent fraud attempts and to mend the loop holes in data security. The CAAC is responsible for conducting awareness and training programs and reaching out to our wide network of customers. Our Customer Compensation Policy enables a system to compensate customers for financial losses they might have incurred due to service-deficiencies such as unauthorised debiting of account and payment of cheques after acknowledgement of stop payment instructions.

Customer complaints other than ATM transaction disputes

- Pending at the beginning of the year - 2,293
- Received during the year - 123,860
- Redressed during the year- 125,698
- Pending at the end of the year - 455

ATM transaction disputes on HDFC Bank's ATMs

- Pending at the beginning of the year - 183
- Received during the year - 12,586
- Redressed during the year- 12, 610
- Pending at the end of the year - 159

ATM transaction disputes on other Banks' ATMs

- Pending at the beginning of the year - 1,570
- Received during the year - 127,955
- Redressed during the year- 127,924
- Pending at the end of the year - 1,601

Total Number of complaints and ATM transaction disputes

- Pending at the beginning of the year - 4,046
- Received during the year - 264,401
- Redressed during the year- 266,232
- Pending at the end of the year - 2,215

Investors

Our Legal & Secretarial Department is responsible for handling investor-related complaints handed through SEBI and the Stock Exchanges. Out of a total shareholder base of over 4.22 lakhs, we have received 2,753 complaints during the year 2013-14, all of which were attended to and resolved. Thus, no investor complaints are pending for resolution as of 31st March 2014.

Section 3

Our Environmental Responsibility

At HDFC Bank, we constantly strive to reduce our negative impacts and mitigate environmental and climatic risks through our 'Go Green' initiatives. To manage our carbon emissions, we have compiled an inventory of energy-related emissions from our office buildings and retail branches. We have incorporated environment friendly features in our infrastructure which involve water management, energy conservation, air quality management etc. In addition, we continuously seek to improve our environmental performance by promoting the use of energy efficient and environment friendly technologies as well as renewable energy as detailed below:

Energy Efficiency

- Installation of Energy Management Kits in branches
- Use of star-rated and energy efficient air-conditioners
- Switching off the branch signage after 11 pm
- Phase-out policy – Replacing inefficient lighting options with LED lights in large offices
- Use of Central Pollution Control Board (CPCB) compliant diesel gensets

Going Paperless

- Engaging in electronic media rather than print communication
- Establishment of multiple alternate service points to enable transactions in a paperless environment
- Encouraging retail customers to subscribe to e-statements

IT Initiatives

- Video conference and Video chatting on IP phone reducing travelling and fuel consumption
- Server and desktop virtualization reducing power consumption
- Printer consolidation over many offices

Utilizing Renewable Energy

- ATMs with solar powered/lithium UPS installation in areas of fluctuating power supply

Waste Management

- Strong emphasis on recycling of paper and plastic at all the branches
- Policy to manage and dispose e-waste in an efficient and harmless manner

Environment-Conscious Employees

- Employee awareness campaigns to promote environment friendly practices
- Usage of reusable cups and plates
- Deploying motion sensors to switch off lights in an empty room in select locations

Managing our Environmental Impact

We have been accounting for the direct and indirect environmental impacts of our operations, products and services with the goal to make them more environment friendly.

Social and Environmental Risk Management System (SEMS)

Our Social and Environmental Risk Management System (SEMS) helps us screen projects that we finance. Under this system, all term loans worth more than INR 10 crores and for a period of more than five years are assessed for risks related to negative social and/or environmental impacts before an approval is given. During FY 2013-14, 41 term loans approximating Rs. 7,400 crores were disbursed after being screened through SEMS.

Multi-Channel Delivery for Direct Banking

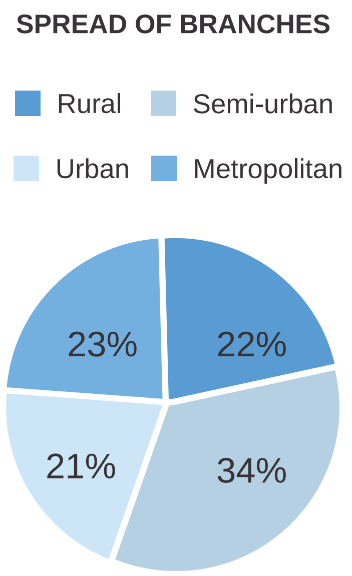
We have incorporated various technology-enabled solutions which help customers cut down on the need to commute to branches to avail our banking services. Vast network of ATMs, internet banking channels and phone banking channels have led to customers gaining easier access to direct banking both in rural and urban regions.

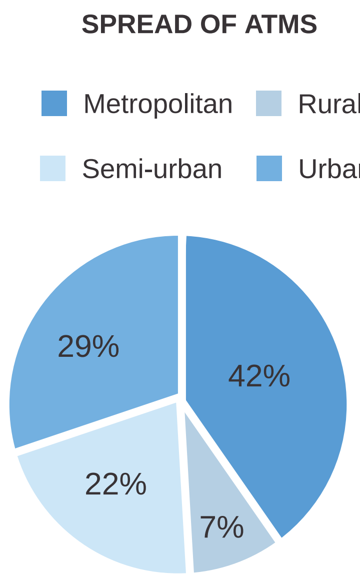
Section 4

Our Social Responsibility

We believe that business prosperity and inclusive growth are interdependent and have therefore initiated products and programs focused on the well-being of the marginalised population. These projects range from strategic CSR programs to employee-driven initiatives. We have impacted the lives of around 73,910 people through our initiatives.

To deliver financial services to the financially underprivileged and relatively untapped geographical areas, we have increased the number of branches in rural and semi-urban areas. Our aim is to reduce the gap in access to financial services in the country and offer credit avenues to the low-income society in a comprehensive and affordable manner.





Sustainable Livelihood Initiative

Sustainable Livelihood Initiative (SLI) is a model that has helped empower thousands of people, particularly women in the rural parts of the country. SLI enables the provision of occupational training, financial literacy, credit counseling, livelihood finance and market linkages in that order, bringing people into the banking fold.The initiative achieved a milestone of supporting inclusive growth when it crossed 20 lakh households in October 2013.

Executed through 439 business hubs attached to our branches and a dedicated workforce of over 3,400 employees, the initiative today has brought positive social change in the lives of approximately 26.67 lakh families.

Besides financial empowerment, we also provide need-based skill-building training. The **Capacity Building Program**, as part of SLI, helps women improve the income of the family while also teaching them effective management of money, loan repayments and other aspects of financial literacy. Further, we help these women enhance the quality of their products and overall productivity and link them to networks which can market their products.

Financial Literacy Initiative

We believe that financial literacy can empower people to achieve high levels of financial stability and inclusion. With the same intent, we have been conducting rural financial literacy initiatives across the country under the aegis of the RBI. Under this program, we hold camps in rural areas where participants are given a conceptual understanding of financial products and services, using material provided by the RBI. In addition, we also use the financial literacy guide and posters, as the standard curriculum. This material is currently available in Hindi and English, allowing participants to learn in the language they are more comfortable with.

Our 'Power of Banking' program continues to train school children on basic concepts of finance such as the origin of money, role of banks, importance of savings etc. Driven by employee volunteers, the program covered over 3,300 children in 2013-14.

Financial Inclusion through Mini Branches

The mini branch model was created primarily to reach out to unbanked and under-banked areas across India. A mini branch comprises 1, 2 or 3 persons catering to financial services in a rural location. It is designed to be cost-effective by maximizing efficiency of space, infrastructure, technology and processes. The product range at a mini branch is comparable to that in a traditional branch and the two members are available to provide customers an array of services. We have added another 224 mini-branches across different parts of the country in the FY 2013-14.

COMMUNITY ENGAGEMENT INITIATIVES

We take up a vast range of community interventions across all the regions where we have our presence. In each of our interventions, we ensure proper impact assessment of our initiatives. The programmes are time-bound and the strategy lists a phase-out plan in order to ensure sustainability of the project.

Health and Blood Donation

Over a number of years, we have been proactively setting up health-camps as a part of our "Live Healthy Programme" to conduct free health checkups in rural areas. We have set up five blood storage centers in various states across India.

In 2007, we introduced the idea of a one-day nationwide blood donation drive and encouraged people to support a single social cause across our vast network. The seventh edition of the event was held on December 6, 2013. Our Blood Donation Drive of 2013 set a Guinness World Record as the organizer of the largest blood donation (across mulitple venues) in a single day in the world.

HDFC Bank sets GUINNESS WORLD RECORD

- **Organises largest single-day blood drive with 61,902 participants**
- **1,115 blood donation camps held across 709 locations in India**

Education

Our programs aim at strengthening the quality of education and in order to meet these objectives we have initiated a multitude of programs reaching out to approximately 5,500 students.

- **Integration of out-of-school children:** In the year 2013-14, we were able to enroll over 1,000 first time learners into mainstream education through pre-primaries within the community.

- **Improving the reading and learning ability of children:** Through programs such as 'Grow with Books' initiated in 7 Municipal Schools in Pune and the 'Library Projects' in 10 schools in the Kharu block of Leh, we aim to improve the reading and learning ability of the child. Another project aimed to stimulate the cognitive abilities of children exposes them to practical scientific experiences through a 'Mobile Science Lab'.

- **Rehabilitation of children with special needs:** In continuation of our inclusive approach, we support efforts of mainstreaming/rehabilitation of differently abled children with special needs such as physiotherapy treatment, speech therapy etc.

- **Educational assistance:** We sponsor the educational expenses of disadvantaged or destitute children in institutional care, schools, colleges and professional courses. Currently close to 1,000 students receive educational assistance through direct or institutional support. In addition to these, we also differentiate positively in favor of the girl child and support the education of girls through a special sponsorship for the girl child.

- **Special educational sponsorships:** Under our Educational Crisis Scholarship Support (ECSS), 338 students in schools (standards 6 – 12) and colleges pursuing undergraduate/ postgraduate degrees or diplomas in the year 2013-2014 were supported to complete their education.

Rural Development

We have supported a number of need-based projects within the community to make a difference to more than 4,941 lives. These have ranged from infrastructural support to community-based campaigns. In response to the water crisis in Maharashtra, we sponsored the constructing of rain water harvesting structures in three villages in Maharashtra. Another project implemented in Mangaon aimed at creating sanitation and water storage facilities for tribal children.

Traffic Safety

We have installed branded boards with messages on traffic safety such as 'Wear a helmet', 'Wear a seatbelt', 'Don't use your mobile while driving' etc. In addition to this, we have also identified villages across the country where we provide branded message boards for road identification, and social messages.

Disaster Relief

We have been quick to respond to the needs of those affected by natural disasters such as flood, landslides, drought, etc. During times of crisis, we have extended our support to provide relief to victims of such disasters and support the rehabilitation efforts of the state.

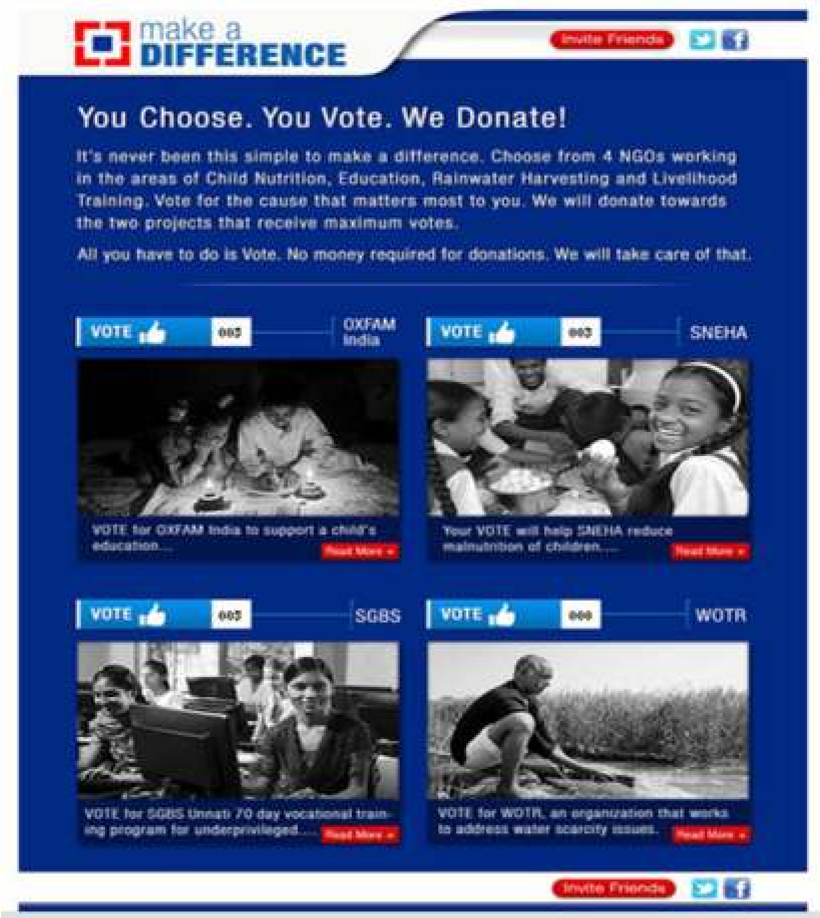
During the landslide and flash floods in Uttarakhand and Orissa, our employees donated towards relief efforts and the amounts were matched by us. Our employees joined relief teams in Uttarakhand to distribute solar lamps to 22 villages. Having identified lack of health facilities as a major need, we tied up with an NGO to set up and support the cost of running a primary healthcare center at Kedar Ghati which will cater to the primary and the secondary healthcare needs of 50 villages.

Engaging Customers in Social Initiatives

Through the Employee Payroll Giving Program, our employees continued to donate on a monthly basis. Currently 5,464 employees are active payroll donors. We support this gesture by donating a matching amount.

In a unique initiative, we undertook a social-media driven campaign to involve our customers in our community initiatives. The "Make a Difference" campaign engaged customers by seeking their help in choosing from 4 NGOs working in the key areas of child nutrition, education, rainwater harvesting and livelihood training. Based on their votes, the two projects which got the maximum votes were supported by the Bank.

Structured volunteering activities are regularly created to encourage employees to engage in various acts of charity. Our annual volunteering day branded as the 'Make a Difference Day' saw an enthusiastic participation of more than 79 teams. Other campaigns such as the 'BE-A–SANTA' campaign initiated this year saw employees celebrate Christmas and New Year by fulfilling small wishes made by children and senior citizens.



The Way Forward

We have a firm commitment towards making a difference in the lives of the people and contributing to the welfare of the society. This includes empowerment of individuals through our sustainable livelihood initiatives, other financial inclusion initiatives as well as our community development initiatives in the areas of education and skilling through donations and grants. In FY 2013-2014, we have spent 0.83% of our profit after tax (for the year ending 31st March 2014) towards these initiatives and approximately 1.34% of our average profit after tax for the last three financial years. With the new Section 135 enacted by the Companies Act 2013, we have formulated our CSR Policy and identified areas of intervention. Training and orientation programs are being devised to ensure that employees understand the social and environmental impact of the Bank, the fundamentals of sustainability and how we can move towards becoming a more sustainable organisation.

Over the next few years, we aim to drive concentrated efforts towards a sustainable journey resulting into equitable growth and development for both our business and the society.

The Director Responsible for Business Responsibility at HDFC Bank is:

Name:	Paresh Sukthankar
Designation:	Deputy Managing Director, HDFC Bank
DIN No.:	1843099

For any clarifications regarding this report or Business Responsibility at HDFC Bank, you may contact the BR head:

Name:	Nusrat Pathan
Designation:	Head, Corporate Social Responsibility
Tel:	022 30751040
Email ID:	nusrat.pathan@hdfcbank.com

Annexure 1: Mapping of Policies

Questions	Principles of the NVG								
	P1	P2	P3	P4	P5	P6	P7	P8	P9
Do you have policies for	Y	N	Y	Y	Y	Y	N	Y	Y
Has the policy been formulated in consultation with the relevant stakeholders?	Y	-	Y	Y	Y	Y	-	Y	Y
Does the policy conform to any national /international standards? If yes, specify?	Y#	-	Y#	Y#	Y#	Y#	-	Y#	Y#
Is it a board approved policy?	Y	-	Y	Y	Y	Y	-	Y	Y
If yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	-	Y	Y	Y	Y	-	Y	Y
Does the Company have a specified committee of the Board/Director/Official to oversee the implementation of the policy?	Y	-	Y	Y	Y	Y	-	Y	Y
Indicate the link for the policy to be viewed online.	See Note 1	-	See Note 1	See Note 1	See Note 1	See Note 1	-	See Note 3	See Note 2
Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	-	Y	Y	Y	Y	-	Y	Y
Does the company have an in-house structure to implement the policy?	Y	-	Y	Y	Y	Y	-	Y	Y
Does the Company have a grievance redressal mechanism related to the policy to address stakeholders' grievances related to the policy?	Y	-	Y	-	Y	-	-	-	Y
Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Y*	-	Y*	-	Y*	-	-	Y*	Y*

P1	We have a Whistle Blower policy and guidelines on anti -bribery and anti -corruption, transparency and ethical behaviour. These form part of our Code of Conduct and Ethics Manual.
P2	We have internal guidelines on procurement of energy efficient equipment. Considering the nature of our business, this principle has limited applicability for us.
P3	Our Code of Conduct and Ethics Manual details policies for Equal Opportunity and Prohibition of Sexual Harassment in the workplace.
P4	We adhere to the RBI guidelines on Priority Sector Lending and Financial Inclusion, which are aimed at marginalised and vulnerable stakeholders. We do not have a specific policy to address this principle.
P5	Our Code of Conduct and Ethics Manual details a policy on Respect for Human Rights, which adheres to the principles in the United Nations' Universal Declaration of Human Rights.
P6	Considering the nature of our business, this principle has limited applicability for us. Segments of our business are guided by policies which incorporate elements of environmental risk and opportunities in them. For example, our Wholesale Credit Risk Policy details a Social and Environmental Management System (SEMS) for screening and monitoring social and environmental risks associated with projects. As part of our Code of Conduct and Ethics Manual, we encourage employees to prevent any wasteful use of natural resources and to be committed to improving the environment, particularly with regard to the emission of greenhouse gases, and to endeavour to offset the effect of climate change in all spheres of activities.
P7	We do not take part in any lobbying or policy advocacy.
P8	We have a CSR policy which guides all our CSR activities and includes activities we undertake for marginalised and vulnerable stakeholders. While there is no formal policy in place specifically for equitable growth and development, we have a comprehensive Sustainable Livelihood Initiative (SLI) aimed at achieving this objective.
P9	Our Code of Conduct and Ethics Manual details policies to ensure privacy and confidentiality of customers' data, to provide products and services which offer value in terms of price and quality and meet the applicable standards / guidelines as decided by the regulator and other authorities, to provide reliable and meaningful information and not make exaggerated claims about our products and services. Some of the policies addressing customer welfare include the Customer Compensation Policy, Grievance Redressal Policy, and the **Customer Acceptance, Customer Care and Customer Severance Policy.**

All policies have been developed as a result of detailed consultations and research on the best practices adopted by banks and organisations across the industry, and as per the requirements of HDFC Bank.

* All policies of the Bank are evaluated internally.

Note 1: These policies of the Bank are internal documents and are not accessible to the public.

Note 2: http://www.hdfcbank.com/personal/customer-centre (Our Corporate Commitment)

Note 3: http://www.hdfcbank.com/htdocs/aboutus/csr (Our CSR Policy)

Annexure 2: Mapping to the SEBI Framework

Question	Reference Section	Page No.
Section A: General Information About the Company		
1. Corporate Identity Number (CIN) of the Company	BRR	1
2. Name of the Company		
3. Registered Address		
4. Website		
5. E-mail id		
6. Financial Year Reported		
7. Sector(s) that the Company is engaged in (industrial activity code -wise)		
8. List three key products/services that the Company manufactures/provides (as in balance sheet)	AR	34
9. Total number of locations where business activity is undertaken by the Company	AR	18
i. Number of International Locations (Provide details of major 5)	AR	18
ii. Number of National Locations	AR	18
10. Markets served by the Company – Local/State/National/International	AR	18
Section B: Financial Details of the Company		
1. Paid up Capital (INR)	AR	12
2. Total Turnover (INR)	AR	11
3. Total profit after taxes (INR)		
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	BRR	9
5. List of activities in which expenditure in 4 above has been incurred: -	BRR AR	4,6 24-27
Section C: Other Details		
1. Does the Company have any Subsidiary Company/ Companies?	AR	18
2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	No	
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	Not Applicable*	
Section D: BR Information		
1. Details of Director/Directors responsible for BR	BRR	9
a) Details of the Director/Director responsible for implementation of the BR policy/policies		
DIN Number		
Name		
Designation		

b) Details of the BR head	BRR	9
DIN Number (if applicable)		
Name		
Designation		
Telephone number		
e-mail ID		

2. Governance Related to BR • Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year	BRR	2
• Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	BRR	9
Section E: Principlewise Performance		
Principle 1: Ethics, Transparency and Accountability		
Does the policy relating to ethics, bribery and corruption cover only the company? Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others?	BRR	2
How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?	BRR AR	5 91,92
Principle 2: Sustainable Products and Services		
List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.	BRR	4-8
For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):	Not Applicable *	
Does the company have procedures in place for sustainable sourcing (including transportation)?	Not Applicable*	
Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?	BRR	7
If yes, what steps have been taken to improve their capacity and capability of local and small vendors?	Not Applicable*	
Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5 -10%, >10%). Also, provide details thereof, in about 50 words or so.	Not Applicable*	
Principle 3: Employee Well Being		
Total number of employees. Total number of employees hired on temporary/contractual/casual basis. Number of permanent women employees. Number of permanent employees with disabilities Do you have an employee association that is recognised by management? What percentage of your permanent employees is members of this recognized employee association?	BRR	3-4
Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.	BRR	3
What percentage of your under mentioned employees were given safety and skill up-gradation training in the last year?	BRR	3
Principle 4: Valuing Marginalised Stakeholders		
Has the company mapped its internal and external stakeholders?	BRR	3
Out of the above, has the company identified the disadvantaged, vulnerable & marginalised stakeholders? Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders.	BRR	4, 6-8
Principle 5: Human Rights		
Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?	BRR	3

How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?	BRR AR	5 91,92
Principle 6: Environment		
Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.	BRR	10
Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc .?	BRR AR	5-6 26
Does the company identify and assess potential environmental risks?	BRR	5-6
Does the company have any project related to Clean Development Mechanism?	BRR AR	5-6 26
Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N.	BRR	5-6
Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?	Not Applicable*	
Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.		
Principle 7: Policy Advocacy		
Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:	BRR	2
Have you advocated/lobbied through above associations for the advancement or improvement of public good?		
Principle 8: Inclusive Growth		
Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8?	BRR AR	6-9 23 -25
Are the programmes/projects undertaken through in -house team/own foundation/external NGO/government structures/any other organi sation?	BRR	5
Have you done any impact assessment of your initiative?	BRR	7
What is your company's direct contribution to community development projects Amount in INR and the details of the projects undertaken.	AR	23-25
Have you taken steps to ensure that this community development initiative is successfully adopted by the community?	BRR	7-8
Principle 9: Customer Welfare		
What percentage of customer complaints/consumer cases are pending as on the end of financial year.	BRR AR	5 91
Does the company display product information on the product label, over and above what is mandated as per local laws?	BRR	4-5
Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti -competitive behaviour during the l ast five years and pending as of end of financial year	BRR	4-5
Did your company carry out any consumer survey/ consumer satisfaction trends?	BRR	4

- In the table above, AR refers to our Annual Report FY 2013-14 and BRR refers to our Business Responsibility Report FY 2013-14 (this report).
- Considering the nature of our business, this question is not very relevant for our activities

HDFC BANK

We understand your world